PPF GROUP N.V.

Condensed interim consolidated financial statements for the first half of 2012

KPMG

Review report

To: the Board of Directors of PPF Group N.V.

Introduction

We have reviewed the accompanying condensed consolidated interim financial information of PPF Group N.V., Amsterdam, which comprises the interim consolidated statement of financial position as at 30 June 2012, the interim consolidated income statement, the interim consolidated statement of comprehensive income, the interim consolidated statement of changes in equity, and interim consolidated statement of cash flows for the six months period ended 30 June 2012, and the notes. Management of the Company is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2012 is not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Amstelveen, 19 October 2012

KPMG Accountants N.V.

B.M. Herngreen RA

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CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed interim consolidated statement of financial position

As at 30 June 2012

In millions of EUR

	Note	30 June 2012	31 December 2011
ASSETS			
Cash and cash equivalents	F1	464	721
Financial assets at fair value through profit or loss	F2.1	447	535
Financial assets available-for-sale	F2.2	1,636	823
Financial assets held-to-maturity	F2.3	32	-
Loans and receivables due from banks and other financial institutions	F2.4	1,508	1,231
Loans and receivables due from non-banks	F2.5	5,280	4,093
Other loans and receivables	F2.6	1,231	706
Current income tax receivable		13	13
Deferred tax assets		52	39
Inventories	F3	461	399
Biological assets	F4	23	15
Non-current assets held for sale	F5	570	4
Other assets	F6	432	303
Investments in associates and joint ventures	F7	3,830	4,188
Investment property	F8	510	438
Property, plant and equipment	F9	574	371
Intangible assets	F10	519	478
TOTAL ASSETS		**17,582**	**14,357**
LIABILITIES			
Due to non-banks	F11	6,028	3,420
Due to banks and other financial institutions	F12	3,724	3,698
Debt securities issued	F13	1,621	1,554
Financial liabilities at fair value through profit or loss	F14	324	351
Current income tax liability		22	6
Deferred tax liability		97	90
Provisions	F15	30	30
Liabilities held for sale	F5	2	-
Other liabilities	F16	871	716
TOTAL LIABILITIES		**12,719**	**9,865**
CONSOLIDATED EQUITY			
Issued capital	F17	1	1
Share premium		677	677
Other reserves		(7)	(130)
Retained earnings		3,957	3,720
Total equity attributable to equity holders of Parent Company		4,628	4,268
Non-controlling interest		235	224
Total consolidated equity		**4,863**	**4,492**
TOTAL LIABILITIES AND EQUITY		**17,582**	**14,357**

Condensed interim consolidated income statement

For the six months ended 30 June 2012

In millions of EUR

	Note	30 June 2012	30 June 2011
Interest income		840	559
Interest expense		(297)	(162)
Net interest income	F18	**543**	**397**
Fee and commission income		288	156
Fee and commission expense		(50)	(33)
Net fee and commission income	F19	**238**	**123**
Net gain/(loss) on financial assets	F20	(18)	41
Net impairment losses on financial assets	F21	(320)	(252)
Other banking result		**(338)**	**(211)**
NET BANKING INCOME		**443**	**309**
Rental and related income		10	11
Property operating expenses		(4)	(2)
Net valuation gain/loss on investment property		14	(27)
Profit on disposal of investment property		-	-
Net income related to construction contracts		-	-
NET REAL ESTATE INCOME	F22	**20**	**(18)**
Sales of goods		982	883
Cost of goods sold		(732)	(650)
Other income on retail operations		23	23
NET INCOME ON RETAIL OPERATIONS		**273**	**256**
Net agriculture income		(5)	-
Other income	F23	26	33
OTHER OPERATING INCOME		**21**	**33**
General administrative expenses	F24	(632)	(474)
Other operating expenses	F25	(48)	(54)
OPERATING EXPENSE		**(680)**	**(528)**
Net gain/loss from disposal of investments in subsidiaries associates and joint ventures		(3)	(15)
Share of earnings of associates/joint ventures	F7	232	198
PROFIT/(LOSS) BEFORE TAX		**306**	**235**
Income tax expense	F26	(53)	(73)
NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS		**253**	**162**
Profit from discontinued operations	F5.3	-	(9)
NET PROFIT FOR THE PERIOD		**253**	**153**
Net profit attributable to non-controlling interest		5	3
NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT		**248**	**150**

Condensed interim consolidated statement of comprehensive income

For the six months ended 30 June 2012

In millions of EUR

	30 June 2012	30 June 2011
NET PROFIT FOR THE PERIOD	**253**	**153**
Other comprehensive income		
Valuation gains/(losses) on available-for-sale financial assets	9	(4)
AFS revaluation gains/losses transferred to income statement	2	120
Currency translation differences	44	(44)
Effect of movement in equity of associates	60	94
Income tax relating to components of other comprehensive income	(1)	-
Other comprehensive income for the period (net of tax)	**114**	**166**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**367**	**319**
Total comprehensive income attributable to non-controlling interest	**7**	**8**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT	**360**	**311**

The condensed interim consolidated financial statements were approved by the Board of Directors of the Company on 19 October 2012.

Condensed interim consolidated statement of changes in equity

In millions of EUR, for the for the six months ended 30 June 2012

	Issued capital	Share premium	Available for sale reserve	Legal and statutory reserves*	Translation reserve	Retained earnings	Attributable to equity holders of Parent	Attributable to non-controlling interest	Total
Balance at 1 January 2012	**1**	**677**	**(43)**	**13**	**(100)**	**3,720**	**4,268**	**224**	**4,492**
Profit for the period	-	-	-	-	-	248	248	5	253
Valuation gains (losses) taken to equity for AFS	-	-	9	-	-	-	9	-	9
AFS revaluation losses transferred to income statement	-	-	2	-	-	-	2	-	2
Currency translation	-	-	-	-	42	-	42	2	44
Effect of movement in equity of associates	-	-	61	-	9	(10)	60	-	60
Tax on items taken directly to or transferred from equity	-	-	(1)	-	-	-	(1)	-	(1)
Total comprehensive income for the period	**-**	**-**	**71**	**-**	**51**	**238**	**360**	**7**	**367**
Net allocation to legal and statutory reserves	-	-	-	1	-	(1)	-	-	-
Effect of acquisition and disposal of subsidiaries	-	-	-	-	-	-	-	4	4
Total changes	**-**	**-**	**71**	**1**	**51**	**237**	**360**	**11**	**371**
Balance at 30 June 2012	**1**	**677**	**28**	**14**	**(49)**	**3,957**	**4,628**	**235**	**4,863**

In millions of EUR, for the for the six months ended 30 June 2011

	Issued capital	Share premium	Available for sale reserve	Legal and statutory reserves*	Translation reserve	Retained earnings	Attributable to equity holders of Parent	Attributable to non-controlling interest	Total
Balance at 1 January 2011	**1**	**677**	**(67)**	**11**	**(16)**	**3,818**	**4,424**	**30**	**4,454**
Profit for the period	-	-	-	-	-	150	150	3	153
Valuation gains (losses) taken to equity for AFS	-	-	(4)	-	-	-	(4)	-	(4)
AFS revaluation losses transferred to income statement	-	-	120	-	-	-	120	-	120
Currency translation	-	-	-	-	(44)	-	(44)	-	(44)
Effect of movement in equity of associates	-	-	(16)	-	95	5	84	5	89
Total comprehensive income for the period	**-**	**-**	**100**	**-**	**51**	**155**	**306**	**8**	**314**
Effect of disposal of subsidiaries	-	-	-	-	24	-	24	-	24
Other changes	-	-	-	-	-	-	-	(2)	(2)
Total changes	**-**	**-**	**100**	**-**	**75**	**155**	**330**	**6**	**336**
Balance at 30 June 2011	**1**	**677**	**33**	**11**	**59**	**3,973**	**4,754**	**36**	**4,790**

*Legal and statutory reserves represent undistributable reserves of subsidiaries

Condensed interim consolidated statement of cash flows

For the first half ended 30 June, prepared using the indirect method

In millions of EUR

	2012	2011
Cash flows from operating activities		
Profit before tax	306	226
Adjustments for:		
Consolidated gains on disposal of consolidated subsidiaries	4	24
Interest expense	297	162
Interest income	(840)	(559)
Other adjustments	300	223
Change in assets and liabilities	567	(203)
Net cash from operating activities	**634**	**(127)**
Cash flows from investing activities		
Interest received	637	488
Dividends received	4	14
Acquisition of subsidiaries and associates, net of cash acquired	(265)	-
Proceeds from disposal of subsidiaries and associates, net of cash disposed	2	23
Other movements	(964)	(132)
Net cash from investing activities	**(586)**	**393**
Cash flows from financing activities		
Interest paid	(214)	(123)
Change in debt securities issued	32	224
Change in loans from banks and other financial institutions	(133)	(192)
Cash flow from financing activities	**(314)**	**(91)**
Net increase (decrease) in cash and cash equivalents	**(266)**	**175**
Cash and cash equivalents as at 1 January	**721**	**345**
Effect of exchange rate changes on cash and cash equivalents	9	1
Cash and cash equivalents as at 30 June	**464**	**521**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

A. General

A.1. Description of the Group

PPF Group N.V. (“the Parent Company” or the “Parent”) is a company domiciled in the Netherlands. The condensed interim consolidated financial statements of the Parent Company as at and for the six month period ended 30 June 2012 comprise the Parent Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates, joint ventures and affiliated entities.

Refer to Section B of these financial statements for a listing of significant Group entities and changes to the Group in 2012.

Structure of Ultimate shareholders:
As at 30 June 2012, the shareholder structure was as follows:

Petr Kellner 94.25% (directly and indirectly)
Jiří Šmejc 5% (indirectly)
Ladislav Bartoníček 0.50% (indirectly)
Jean-Pascal Duvieusart 0.25% (indirectly)

Registered Office:
Strawinskylaan 933 Tower B Level 9
1077XX Amsterdam

The Board of Directors authorised the financial statements for issue on 19 October 2012.

A.2. Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements as at and for the year ended 31 December 2011.

A.3. Basis of preparation

Dutch accounting legislation enables the Group to prepare these consolidated financial statements in accordance with IFRS (as adopted by the EU).

The financial statements are presented in Euros (EUR), which is the Company's functional currency and the Group's reporting currency, rounded to the nearest million.

The financial statements have been prepared on a historical cost basis, except for the following assets and liabilities which are stated at their fair value: derivative financial instruments, financial instruments held for trading, financial instruments designated upon initial recognition as valued at fair value through profit or loss, financial instruments classified as available-for-sale, investment property and biological assets. Financial assets and liabilities and non-financial assets and liabilities which are measured at historical cost are stated at amortised cost or historical cost, as appropriate, net of any relevant impairment.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of the financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of the judgments about the carrying values of assets and liabilities that cannot readily be determined from other sources. The actual values may differ from these estimates.

B. Consolidation

B.1. Group entities

The following list shows only significant holding and operating entities that are subsidiaries, associates or joint ventures of the Parent Company as of 30 June 2012.

Company	Domicile	Effective proportion of ownership interest	Effective proportion of voting interest
PPF Group N.V.	Netherlands	Parent Company	Parent Company
Home Credit subgroup			
Home Credit B.V.	Netherlands	100.00%	100.00%
HC Asia N.V.	Netherlands	100.00%	100.00%
CF Commercial Consulting (Beijing) Co., Ltd.	China	100.00%	100.00%
Favour Ocean Ltd.	Hong Kong	100.00%	100.00%
Guangdong Home Credit Guarantee Co., Ltd.	China	100.00%	100.00%
Home Credit a.s.	Czech Republic	100.00%	100.00%
Home Credit Advisory Asia, spol. s r. o.	Czech Republic	100.00%	100.00%
Home Credit Asia Ltd.	Hong Kong	100.00%	100.00%
Home Credit Bank OJSC	Belarus	100.00%	100.00%
Home Credit Business Management (Tianjin) Co., Ltd.	China	100.00%	100.00%
Home Credit and Finance Bank LLC	Russia	100.00%	100.00%
Home Credit Consumer Financial China Ltd.	China	100.00%	100.00%
Home Credit Indonesia PT	Indonesia	70.00%	70.00%
Home Credit International a.s.	Czech Republic	100.00%	100.00%
Home Credit Slovakia, a.s.	Slovakia	100.00%	100.00%
Homer Software House LLC	Ukraine	100.00%	100.00%
PPF Home Credit IFN S.A.	Romania	100.00%	100.00%
PPF Vietnam Finance Company LLC	Vietnam	100.00%	100.00%
Rajshree Auto Finance Private Ltd.	India	65.01%	65.01%
Shenzen Home Credit Financial Service Co. Ltd.	China	100.00%	100.00%
Shenzen Home Credit Guarantee Co. Ltd.	China	100.00%	100.00%
Sichuan Home Credit Guarantee Co. Ltd.	China	100.00%	100.00%
Real Estate subgroup - subsidiaries			
PPF Real Estate Holding B.V.	Netherlands	100.00%	100.00%
Agriko LLC	Russia	55.19%	55.19%
Agriko Plus LLC	Russia	55.19%	55.19%
Anthemona Ltd.	Cyprus	100.00%	100.00%
Aranciata a.s.	Czech Republic	100.00%	100.00%
Argentinská Hvězda - budova A, a.s.	Czech Republic	100.00%	100.00%
Argentinská Hvězda - budova B, a.s.	Czech Republic	100.00%	100.00%
Bastion office center s.r.o.	Slovakia	57.50%	57.50%
Bavaria Complex S. R. L.	Romania	50.39%	50.39%
Boryspil Project Management Ltd.	Ukraine	100.00%	100.00%
Bucca Properties Ltd.	BVI	100.00%	100.00%
Bukovec Park, s.r.o.	Czech Republic	100.00%	100.00%
Celestial Holdings Group Ltd.	BVI	100.00%	100.00%

Eastfield Kazan LLC	Russia	65.00%	65.00%
Garnet Holding B. V.	Netherlands	100.00%	100.00%
Glancus Investments Inc.	BVI	100.00%	100.00%
Ifaneed a.s.	Czech Republic	100.00%	100.00%
In Vino LLC	Russia	64.94%	64.94%
In Vino Natukhaevskoe LLC	Russia	64.94%	64.94%
Karta Realty Ltd.	Cayman Islands	60.07%	60.07%
KLP LLC	Russia	45.50%	45.50%
Kvartal Togliatti LLC	Russia	100.00%	100.00%
Longoria a.s.	Czech Republic	100.00%	100.00%
Midataner a.s.	Czech Republic	100.00%	100.00%
Mitino Sport City LLC	Russia	80.00%	80.00%
Nivy Rezidence, s.r.o.	Czech Republic	100.00%	100.00%
Office Star Five spol. s r. o.	Czech Republic	100.00%	100.00%
Office Star Nine spol. s r. o.	Czech Republic	100.00%	100.00%
Office Star Two spol. s r. o.	Czech Republic	100.00%	100.00%
PPF Gate, a.s.	Czech Republic	100.00%	100.00%
PSJ New N. V.	Netherlands	100.00%	100.00%
Retail Star 3, spol. s r.o.	Czech Republic	100.00%	100.00%
Retail Star 22, spol. s r.o.	Czech Republic	100.00%	100.00%
Roko LLC	Russia	100.00%	100.00%
Ryazan Shopping Mall Ltd.	Cyprus	100.00%	100.00%
Russkiy Val LLC	Russia	52.00%	52.00%
Slovak Trade Company, s.r.o.	Slovakia	57.50%	57.50%
Vítězné náměstí a.s.	Czech Republic	100.00%	100.00%
Real Estate subgroup – associates and joint ventures			
Bohemia o.o.o.	Russia	35.00%	35.00%
Circle Slovakia, s.r.o.	Slovakia	24.50%	24.50%
Feliston Enterprises Ltd.	Cyprus	50.00%	50.00%
Gilbey Ltd.	Cyprus	40.00%	40.00%
Intrust ZAO	Russia	33.33%	33.33%
Investitsionny Trust ZAO	Russia	50.00%	50.00%
Kendalside Ltd.	United Kingdom	49.00%	49.00%
Komodor LLC	Ukraine	40.00%	40.00%
Moravia o.o.o.	Russia	35.00%	35.00%
Sigurno Ltd.	Cyprus	40.00%	40.00%
Stinctum Holdings Ltd.	Cyprus	33.33%	33.33%
Syner NN o.o.o.	Russia	35.00%	35.00%
Other significant subsidiaries			
Agrofirma ZARYA LLC	Russia	80.00%	80.00%
Agroresurs Moloko LLC	Russia	80.00%	80.00%
Air Bank a.s.	Czech Republic	100.00%	100.00%
Anthiarose Ltd.	Cyprus	100.00%	100.00%
Bavella B.V.	Netherlands	80.00%	80.00%
Beringov Proliv Delta LLC	Russia	100.00%	100.00%
Eldorado Licensing Ltd.	Cyprus	100.00%	100.00%
Eldorado LLC	Russia	100.00%	100.00%
Facipero Investments Ltd.	Cyprus	100.00%	100.00%
GIM Invest Co. Ltd.	Jersey	100.00%	100.00%
Invest-Realty LLC	Russia	100.00%	100.00%
Moranda a.s.	Czech Republic	100.00%	100.00%
Pearlmoon Ltd.	Cyprus	100.00%	100.00%

PPF a.s.	Czech Republic	99.99%	99.99%
PPF B1 B.V.	Netherlands	100.00%	100.00%
PPF B2 B.V.	Netherlands	92.96%	92.96%
PPF banka, a.s.	Czech Republic	92.96%	92.96%
PPF Co1 B.V.	Netherlands	100.00%	100.00%
PPF Co3 B.V.	Netherlands	100.00%	100.00%
PPF Healthcare N.V.	Netherlands	100.00%	100.00%
PPF Partners 1 GP Ltd.	Guernsey	72.50%	72.50%
PPF Partners Ltd.	Guernsey	72.50%	72.50%
RAV Agro-Pro CJSC	Russia	80.00%	80.00%
Rentol LLC	Russia	100.00%	100.00%
Russia Finance Corporation B.V.	Netherlands	100.00%	100.00%
Timeworth Ltd.	Cyprus	100.00%	100.00%
Verdena LLC	Russia	100.00%	100.00%
Other significant associates			
Polymetal, OJSC*	Russia	20.86%	20.86%
Nomos-Bank, OJSC*	Russia	27.33%	27.33%
Accord Invest LLC	Russia	40.00%	40.00%
SAZKA sázková kancelář, a.s.*	Czech Republic	50.00%	50.00%
Starbrite Investments Ltd.	Cyprus	50.00%	50.00%
Generali PPF Holding B.V.	Netherlands	49.00%	49.00%
Česká pojišťovna a.s.**	Czech Republic	100.00%	100.00%
Delta Generali Osiguranje a.d.**	Serbia	50.02%	50.02%
Generali Pojistovna a.s.**	Czech Republic	100.00%	100.00%
Generali PPF Life Insurance**	Russia	100.00%	100.00%
Generali Slovensko Poisťovňa, a.s.**	Slovakia	100.00%	100.00%
Generali Towarzystwo Ubezpiec.**	Poland	100.00%	100.00%
Generali Zycie S.A.**	Poland	100.00%	100.00%
Generali-Providencia Biztosító**	Hungary	100.00%	100.00%
GP Reinsurance EAD**	Bulgaria	100.00%	100.00%
Penzijní fond České pojišťovny, a.s.**	Czech Republic	100.00%	100.00%
S.C. Generali Romania Asigurare Reasigurare S.A.**	Romania	100.00%	100.00%
Energetický a průmyslový holding, a.s.	Czech Republic	40.00%	40.00%
United Energy, a.s.***	Czech Republic	100.00%	100.00%
Plzeňská energetika a.s.***	Czech Republic	100.00%	100.00%
POWERSUN a.s.***	Czech Republic	100.00%	100.00%
Pražská teplárenská a.s. ***	Czech Republic	73.26%	73.26%
První energetická a.s.***	Czech Republic	100.00%	100.00%
Przedsiębiorstwo Górnicze Silesia***	Poland	99.78%	99.78%
United Energy Trading, a.s.***	Czech Republic	100.00%	100.00%
Elektrárny Opatovice, a.s.***	Czech Republic	100.00%	100.00%
Mitteldeutsche Braukohlen Gesselschaft GmbH***	Germany	100.00%	100.00%

* This associate comprises a group of entities

** The entities listed below Generali PPF Holding B.V. (a holding company) are the most significant entities within this insurance group; effective proportions of ownership and voting interest presented relate to Generali PPF Holding B.V. itself.
*** The entities listed below Energetický a průmyslový holding a.s. (a holding company) are the most significant entities within this group; effective proportions of ownership and voting interest presented relate to Energetický a průmyslový holding a.s. itself.

B.2. Acquisitions

B.2.1. Acquisition of Russian retail chain

In January 2012, Eldorado acquired a 100% share in Beringov Proliv Delta LLC and Verdena LLC representing a retail chain of 28 stores operating in the Central Region of the Russian Federation. The total consideration for both stakes was MEUR 22. The fair value of assets acquired was MEUR 27, while the fair value of liabilities was MEUR 35. Goodwill in the amount of MEUR 30 represents that part of the cost of the investment attributable to assets that could not be individually identified and separately recognised and reflects the result of the purchase price allocation.

B.2.2. Acquisition of Russian real estate portfolio

In March 2012, Eldorado acquired a 100% share in Invest-Realty LLC and Rentol LLC for total consideration of MEUR 243. The acquired entities hold Russian real estate portfolios, the majority of which is occupied by Eldorado. The fair value of assets acquired was MEUR 418, while the fair value of liabilities was MEUR 174. Goodwill in the amount of MEUR 4 related to the acquisition of Invest-Realty LLC and negative goodwill in the amount of MEUR 5 related to the acquisition of Rentol LLC represent that part of the cost of the investment attributable to assets that could not be individually identified and separately recognised and reflects the result of the purchase price allocation. The goodwill was fully impaired and the negative goodwill was recognised in the income statement at the moment of acquisition.

B.2.3. Incorporation of Home Credit Indonesia

Home Credit Indonesia PT was established in February 2012 with the aim to launch consumer finance business in this country. The Group holds a 70% share.

B.2.4. Incorporation of Argentinská Hvězda

In February 2012, the Group established two entities, Argentinská hvězda – budova A, a.s. and Argentinská hvězda – budova B, a.s., in which the Group contributed real estate projects previously held in Office Star Eight spol. s r. o.

B.3. Disposals

B.3.1. Sale of PSJ a.s.

On 29 June 2012 the Group entered into a transaction whereby its 50% ownership interest in PSJ a.s. was sold for consideration of MEUR 28. Goodwill in amount of MEUR 6 was derecognised. The net loss from the sale amounted to MEUR 3 and is included in the income statement.

At the same time the Group acquired remaining shares of the holding company PSJ New N.V., bringing its stake to 100%. As a consequence of this transaction, the Group derecognised the related investment in joint ventures and this entity starts to be fully consolidated since that date. No goodwill arose on the transaction.

B.3.2. Sale of Rural companies

In March 2012, the Group disposed of a Romanian real estate project through the sale of four Romanian entities for consideration of MEUR 1. The effect of the sale on the income statements is insignificant.

B.3.3. Sale of Czech real estate project

In April 2012, the Group decided to dispose of a real estate project located in Prague. A 100% share in Office Star Six spol. s r.o. was sold for consideration of MEUR 1. The net loss from the sale amounted to MEUR 1 and is included in the income statement.

B.3.4. Sale of Euronews, a.s.

In April 2012, the Group disposed of Euronews, a.s. for consideration of MEUR 1. The effect of the sale on the income statements is insignificant.

C. Significant accounting policies and assumptions

C.1. Significant accounting policies

The Group applies the same accounting policies in these condensed interim consolidated financial statements as were applied in the recent annual consolidated financial statements for the year ended 31 December 2011, except for the changes described below.

C.2. Changes in accounting policies and accounting pronouncements adopted since 1 January 2012

C.2.1. Amendments and interpretations of IFRS adopted since 1 January 2012

The following published amendments and interpretations to existing standards are mandatory and relevant for the Group's accounting periods and have been applied by the Group since 1 January 2012:

Amendment to _IFRS 7 Financial Instruments: Disclosures_ (effective from 1 July 2011)

The amendments to IFRS 7 titled _Disclosures – Transfers of Financial Assets_ increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

C.3. Standards, interpretations and amendments to published standards that are not yet effective and are relevant for the Group's financial statements

A number of new Standards, amendments to Standards and Interpretations are not yet effective as of 30 June 2012, and have not been applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective. The Group is in the process of analysing the likely impact on its financial statements.

IFRS 9 Financial Instruments (effective from 1 January 2015)

This new standard was published on 12 November 2009 as part of phase I of the IASB's comprehensive project to replace IAS 39. It deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. In October 2010, the IASB added to IFRS 9 the requirements for classification and measurement of financial liabilities while most of the requirements in IAS 39 were carried forward unchanged to IFRS 9. IFRS 9 has not yet been adopted by the EU.

Amendment to *IAS 1 Presentation of Financial Statements* (effective from 1 July 2012)

The amendments to IAS 1 titled *Presentation of Items of Other Comprehensive Income:*
- require that an entity presents separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss;
- do not change the existing option to present profit or loss and other comprehensive income in two statements; and
- change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles.

IFRS 10 Consolidated Financial Statements (effective from 1 January 2013)

In May 2011, the IASB issued three new standards as improvements to the accounting requirements for off balance sheet activities and joint arrangements. These standards have not yet been adopted by the EU.

IFRS 10 introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees.
An investor controls an investee when:
- it is exposed or has rights to variable returns from its involvement with that investee;
- it has the ability to affect those returns through its power over that investee; and
- there is a link between power and returns.

Control is reassessed as facts and circumstances change.
IFRS 10 supersedes *IAS 27 Consolidated and Separate Financial Statements* (as amended in 2008) and SIC-12 *Consolidation – Special Purpose Entities*.

IAS 27 Separate Financial Statements was issued concurrently with IFRS 10. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

IFRS 11 Joint Arrangements (effective from 1 January 2013)

IFRS 11 focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It:
- distinguishes joint arrangements between joint operations and joint ventures; and
- always requires the equity method for jointly controlled entities that are now called joint ventures; they are stripped of the free choice of using the equity method or proportionate consolidation.

IFRS 11 supersedes IAS 31 and SIC-13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers.*

IFRS 12 Disclosure of Interests in Other Entities (effective from 1 January 2013)

IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate:
- the nature of, and risks associated with, an entity's interests in other entities; and
- the effects of those interests on the entity's financial position, financial performance and cash flows.

IAS 28 Investments in Associates and Joint Ventures (effective from 1 January 2013)

This amended standard supersedes *IAS 28 Investments in Associates* (2008). IAS 28 (2011) makes the following amendments:
- IFRS 5 applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and
- on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or *vice versa,* the entity does not remeasure the retained interest.

IFRS 13 Fair Value Measurement (effective from 1 January 2013)

This new standard was issued in May 2011. It replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. IFRS 13 has not yet been adopted by the EU.

Annual Improvements 2009-2011 Cycle (effective from 1 January 2013)

In May 2012, the IASB has published Annual Improvements to IFRSs 2009-2011 Cycle as part of its annual improvements process to make non-urgent but necessary amendments to IFRS. The new cycle of improvements contains amendments to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34, with consequential amendments to other standards and interpretations.

C.4. Principal assumptions used in preparation of the condensed interim financial statements

The Group has applied the same assumptions in these financial statements as were applied in the recently published annual financial statements for the year ended 31 December 2011.

D. Financial risk management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2011.

D.1. Liquidity risk

There were no significant acquisitions in the first half of 2012 affecting the liquidity position. The Group has sufficient funds to finance its activities.

E. Segment reporting

In accordance with IFRS 8 the Group recognises reportable segments that are defined in both geographical and sector terms. The Chief Operating Decision Maker (the "CODM") is the Board of Directors and the shareholders. In the case of the Home Credit Group, information is provided to the CODM as a whole and separately for individual countries; other banking operations, retail and real estate are not differentiated by region. Business results of the associates and joint ventures are reported and reviewed separately. The associate Nomos-Bank is considered part of the Group's banking operations and included in the "other banking" segment.

The Home Credit consumer finance and real estate businesses are described in more detail in separate sections.

The retail business consists of Eldorado, Russia's largest electronics and domestic appliances retailer and in 2011 also Retail Value Stores, a.s., which operates supermarkets in the Slovak Republic, acquired in July 2010 and sold in December 2011.

The insurance business reflects the Group's share in Generali PPF Holding B.V., which operates in the CEE region.

The "other banking" segment comprises the operations of PPF banka a.s., PPF B1 B.V., PPF B2 B.V., Air Bank a.s. and Nomos-Bank (in 2012 presented as held-for-sale asset).

The agriculture segment represents Russian agriculture group RAV Agro-Pro, acquired in the second half of 2011.

The "other" segment includes investments in associates and joint ventures related to Polymetal, EP Holding and SAZKA.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Inter-segment pricing is determined on an arm's length basis.

Total segment revenue contains interest income, fee and commission income, rental income, sales of goods, other retail income and agriculture income.

Segment assets and liabilities include all assets and liabilities attributable to segments excluding income tax and deferred.

Significant non-cash expenses are comprised mainly of impairment losses on financial and non-financial assets.

Eliminations represent intercompany balances among individual reporting segments.

The following table shows the main items from the financial statements broken down according to reportable segments for the first half of 2012 and comparative figures for 2011.

In millions of EUR

30 June 2012	Home Credit	Real Estate	Retail	Insurance	Other banking	Agriculture	Other	Eliminations	**Consolidated 2012**
Revenue from external customers	971	15	1,021	-	105	8	43	-	2,163
Inter-segment revenue	(1)	4	5	-	(15)	-	8	(1)	-
Total revenue from continuing operations	**970**	**19**	**1,026**	**-**	**90**	**8**	**51**	**(1)**	**2,163**
Segment share of earnings of associates	3	1	-	76	(28)	-	180	-	232
Net profit from continuing operations	**181**	**(4)**	**(45)**	**76**	**(7)**	**(8)**	**86**	**(26)**	**253**
Net profit for the year									**253**
Other significant non-cash expenses	(219)	-	(6)	-	(28)	-	(72)	-	(325)
Segment assets	5,791	726	1,312	-	4,497	63	2,386	(1,088)	13,687
Investments in associates	-	2	-	2,651	-	-	1,177	-	3,830
Unallocated assets									65
Total assets									**17,582**
Segment liabilities	4,658	383	1,204	-	3,672	67	3,652	(1,036)	12,600
Unallocated liabilities									119
Total liabilities									**12,719**
Segment equity	**1,127**	**304**	**82**	**2,651**	**827**	**(4)**	**(72)**	**(52)**	**4,863**

In millions of EUR

30 June 2011	Home Credit	Real Estate	Retail	Insurance	Other banking	Agriculture	Other	Eliminations	**Consolidated 2011**
Revenue from external customers	590	17	917	-	96	-	21	-	1,641
Inter-segment revenue	2	5	3	-	4	-	5	(19)	-
Total revenue from continuing operations	**592**	**22**	**920**	**-**	**100**	**-**	**26**	**(19)**	**1,641**
Segment share of earnings of associates	-	1	-	97	48	-	52	-	198
Net profit from continuing operations	**143**	**(16)**	**6**	**97**	**60**	**-**	**(129)**	**1**	**162**
Segment result from discontinued operations	(9)								(9)
Net profit for the year									**153**
Other significant non-cash expenses	(78)	-	-	-	(29)	-	(156)	-	(263)
31 December 2011									
Segment assets	4,635	707	1,044	-	2,708	64	1,863	(904)	10,117
Investments in associates	-	34	-	2,566	582	-	1,006	-	4,188
Unallocated assets									52
Total assets									**14,357**
Segment liabilities	3,639	388	880	-	2,492	56	3,189	(875)	9,769
Unallocated liabilities									96
Total liabilities									**9,865**
Segment equity	**1,010**	**321**	**141**	**2,566**	**794**	**6**	**(317)**	**(29)**	**4,492**

E.1. Home Credit business

The Home Credit consumer finance business is divided into segments based on geographical regions corresponding to the geographical location of customers. The Group operates in following principal geographical areas: the Czech Republic, the Slovak Republic, the Russian Federation, Ukraine (until the sale of Home Credit Bank, which was completed on 31 January 2011), the Republic of Belarus, China, Vietnam and India (the latter is a start-up launched in the second half of 2011). In 2012, the Group established the new entity in Indonesia to launch consumer finance business in near future.

The following table supplements the information presented for the Home Credit business in the previous table. Eliminations represent intercompany balances among individual reporting segments within Home Credit. Revenue from customers includes revenue realised with other core segments presented in the table above.

In millions of EUR

30 June 2012	Russian Federation	Czech Republic	Slovak Republic	Belarus	Ukraine	China	Vietnam/ India	Other	Unallocated	Eliminations	**Consolidated**
Revenue from customers	813	16	25	17	-	62	33	-	4	-	970
Inter-segment revenue	-	-	-	-	-	-	-	-	1	(1)	-
Total revenue	**813**	**16**	**25**	**17**	**-**	**62**	**33**	**-**	**5**	**(1)**	**970**
Net interest income from external customers	425	9	20	7	-	43	21	-	(4)	-	521
Inter-segment net interest income	-	-	(1)	-	-	-	-	-	1	-	-
Total net interest income	425	9	19	7	-	43	21	-	(3)	-	521
Income tax expense	(42)	(7)	(1)	-	-	-	-	-	(4)	-	(54)
Net profit from continuing operations	**161**	**28**	**5**	**(3)**	**-**	**5**	**(1)**	**-**	**(12)**	**(2)**	**181**
Other significant non-cash expenses	(191)	(3)	(5)	-	-	(6)	(14)	-	-	-	(219)
Segment assets	4,769	158	194	87	-	300	105	26	226	(74)	5,791
Segment liabilities	3,943	75	163	64	-	130	72	1	275	(65)	4,658
Segment equity	**822**	**73**	**38**	**23**	**-**	**170**	**35**	**25**	**(50)**	**(9)**	**1,127**

In millions of EUR

30 June 2011	Russian Federation	Czech Republic	Slovak Republic	Belarus	Ukraine	China	Vietnam/ India	Other	Unallocated	Eliminations	**Consolidated**
Revenue from customers	483	15	23	15	-	22	28	-	6	-	592
Inter-segment revenue	1	-	-	-	-	-	-	-	1	(2)	-
Total revenue	**484**	**15**	**23**	**15**	**-**	**22**	**28**	**-**	**7**	**(2)**	**592**
Net interest income from external customers	304	9	17	12	-	16	20	-	(3)	-	375
Inter-segment net interest income	**1**	**(1)**	**(1)**	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**-**
Total net interest income	305	8	16	12	-	16	20	-	(2)	-	375
Income tax expense	(39)	(3)	(1)	(1)	-	-	(2)	-	(17)	-	(63)
Net profit from continuing operations	**144**	**12**	**4**	**4**	**-**	**(5)**	**6**	**1**	**(21)**	**(2)**	**143**
Segment result from discontinued operations					**(9)**						**(9)**
Other significant non-cash expenses	(65)	(2)	(5)	-	-	(1)	(5)	-	-	-	(78)
31 December 2011											
Segment assets	3,718	169	183	74	-	233	136	8	168	(54)	4,635
Segment liabilities	2,996	69	149	52	-	90	107	-	225	(49)	3,639
Segment equity	**731**	**95**	**42**	**22**	**-**	**143**	**31**	**8**	**(57)**	**(5)**	**1,010**

E.2. Real Estate business

The real estate segment is comprised of investment property projects located in the Czech Republic, the Slovak Republic, the Russian Federation, Ukraine and Romania. It encompasses completed projects used for rental income, projects under development, and unused land plots for future development or sale. This segment also contains a construction business represented by a 50% share in PSJ a.s. (a joint venture) which is included in the “Czech Republic” column. The construction business was sold in June 2012.

The following table supplements the information presented for the real estate business in the previous table. Eliminations represent intercompany balances among the individual reporting segments within real estate. Revenue from customers includes revenue realised with other core segments presented in the table above.

In millions of EUR

30 June 2012	Czech Republic	Russian Federation	Other	Unallocated	Eliminations	**Consolidated 2012**
Revenue from customers	7	10	1	1	-	19
Inter-segment revenue	-	-	-	2	(2)	-
Total revenue	**7**	**10**	**1**	**3**	**(2)**	**19**
Rental and related income	7	8	-	-	-	15
Net valuation gains/losses	**6**	**9**	**-**	**-**	**-**	**15**
Segment share of earnings of associates	1	-	-	-	-	1
Income tax expense	(1)	(9)	-	-	-	(10)
Segment result	**7**	**(7)**	**1**	**(5)**	**-**	**(4)**
Other significant non-cash expenses	-	-	-	-	-	-
Segment assets	171	447	36	193	(121)	726
Investments in associates	-	14	(13)	1	-	2
Segment liabilities	109	276	21	99	(122)	383
Segment equity	**51**	**155**	**2**	**95**	**1**	**304**

In millions of EUR

30 June 2011	Czech Republic	Russian Federation	Other	Unallocated	Eliminations	**Consolidated 2011**
Revenue from customers	18	1	1	2	-	22
Inter-segment revenue	-	-	-	2	(2)	-
Total revenue	**18**	**1**	**1**	**4**	**(2)**	**22**
Rental and related income	18	-	-	-	-	18
Net valuation gains/losses	**(15)**	**(2)**	**(9)**	**-**	**-**	**(26)**
Segment share of earnings of associates	1	(2)	-	2	-	1
Income tax expense	-	(1)	-	-	-	(1)
Segment result	**(4)**	**(4)**	**(10)**	**2**	**-**	**(16)**
Other significant non-cash expenses	2	-	-	(2)	-	-
31 December 2011						
Segment assets	179	442	38	191	(143)	707
Investments in associates	27	13	(11)	5	-	34
Segment liabilities	121	269	23	117	(142)	388
Segment equity	**74**	**165**	**4**	**79**	**(1)**	**321**

F. Notes to the condensed interim consolidated financial statements

F.1. Cash and cash equivalents

Cash and cash equivalents comprise the following:

In millions of EUR

	30 June 2012	31 December 2011
Current accounts	179	295
Current accounts with central banks	41	132
Placements with financial institutions due within one month	107	135
Cash on hand	137	159
Total cash and cash equivalents	**464**	**721**

There are no restrictions on availability of cash and cash equivalents.

F.2. Financial instruments

Financial instruments comprise the following:

In millions of EUR

	30 June 2012	31 December 2011
Financial assets at fair value through profit or loss	447	535
Financial assets available-for-sale	1,636	823
Financial assets held-to-maturity	32	-
Loans and receivables due from banks and other financial institutions	1,508	1,231
Loans and receivables due from non-banks	5,280	4,093
Other loans and receivables	1,231	706
Total financial instruments	**10,134**	**7,388**

During the first half year of 2012 there were no material transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy. More information about the basis of determining fair values of the financial instruments can be found in the 2011 Annual Financial Statements in note D.6 and the related accounting principles in this respect.

F.2.1. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise the following:

In millions of EUR

	30 June 2012	31 December 2011
Debt securities	289	365
Government and other public-sector bonds	196	276
Corporate bonds	93	89
Equity securities	106	106
Shares	-	-
Other equity securities	106	106
Positive fair values of derivatives	52	64
Total FVTPL	**447**	**535**

Other equity securities represent the fair value of PPF Group's share as an investor in PPF Partners 1 Fund L.P.

F.2.2. Financial assets available-for-sale

Financial assets available-for-sale comprise the following:

In millions of EUR

	30 June 2012	31 December 2011
Debt securities	1,360	532
Government bonds	788	173
Corporate bonds	530	338
Other debt securities	42	21
Equity securities	267	281
Shares	265	279
Mutual funds investments	2	2
Loans and receivables	9	10
Total AFS	**1,636**	**823**

The increase in government bonds is associated mainly with Air Bank that invested in Czech government bonds.

F.2.3. Financial assets held-to-maturity

Financial assets held-to-maturity comprise corporate bonds maturing in June 2013 and in March 2015.

F.2.4. Loans and receivables due from banks and other financial institutions

Loans and receivables due from banks and other financial institutions comprise the following:

In millions of EUR

	30 June 2012	31 December 2011
Term deposits at banks	568	622
Minimum reserve deposits with central banks	79	21
Loans to banks	169	165
Loans and advances provided under repo operations	601	362
Other	91	61
Total loans and receivables due from banks and other financial institutions	**1,508**	**1,231**

The minimum reserve deposits are mandatory non-interest bearing deposits calculated in accordance with regulations issued by central banks and whose withdrawability is restricted.

Loans and advances provided under repo operations are associated mainly with PPF banka.

F.2.5. Loans and receivables due from non-banks

Loans and receivables due from non-banks comprise the following:

In millions of EUR

	30 June 2012	31 December 2011
Gross amount		
Consumer loan receivables	1,295	1,383
Cash loan receivables	2,811	1,746
Revolving loan receivables	758	696
Car loan receivables	96	82
Mortgage loan receivables	108	121
Loans to corporations	627	419
Loans and advances provided under repo operations	105	44
Other	4	1
Total gross amount	**5,804**	**4,492**
Collective allowances for impairment		
Consumer loan receivables	(115)	(116)
Cash loan receivables	(303)	(185)
Revolving loan receivables	(74)	(67)
Car loan receivables	(11)	(10)
Mortgage loan receivables	(7)	(10)
Other	-	-
Total collective impairment	**(510)**	**(388)**
Loans to corporations	(14)	(11)
Total individual impairment	**(14)**	**(11)**
Total carrying amount	**5,280**	**4,093**

The increase of cash loan receivables corresponds to the growth of Russian consumer finance business.

F.2.6. Other loans and receivables

The following table shows breakdown of other loans and receivables:

In millions of EUR

	30 June 2012	31 December 2011
Gross amount	1,341	757
Individual allowances for impairment	(110)	(46)
Investment in joint venture	-	(5)*
Total other loans and receivables	**1,231**	**706**

*Presentation of negative share in SAZKA in 2011: the business is funded by a Group loan presented in this section (refer to F.7)

"Other loans" represent mainly the provision of funds outside the Group's core banking business. This category also includes loans to the Group's associates that were used to finance several real estate projects and from 2011 also the lottery business SAZKA. As of 30 June 2012, the total amount of such loans was MEUR 52 (2011: MEUR 99). In 2012, Timeworth Ltd. granted a loan facility to EP Holding in a total amount of MEUR 325. The loan consists of a MEUR 100 subordinated loan facility and a MEUR 225 subordinated loan facility convertible into shares of EP Holding at pre-defined terms.

F.3. Inventories

Inventories relates mainly to the retail business of Eldorado and comprise the following:

In millions of EUR

	30 June 2012	31 December 2011
Goods/merchandise for resale	462	396
Other inventory	8	6
Allowance for slow-moving and damaged items	(14)	(14)
Agriculture - Finished goods and goods for resale	-	4
Agriculture - Work in progress	1	2
Agriculture - Raw materials and consumables	4	5
Total inventories	**461**	**399**

F.4. Biological assets

Biological assets relate to the agricultural business of RAV Agro-Pro acquired in July 2011 and comprise the following:

In millions of EUR

	30 June 2012	31 December 2011
Non-current		
Balance at 1 January	11	-
Additions resulting from business combinations	-	11
Net increase due to additions, births (deaths)	-	2
Change in fair value of biological assets	(6)	(2)
Balance at 31 December	**5**	**11**
Current		
Balance at 1 January	**4**	**-**
Additions resulting from business combinations	-	21
Additions due to growing	12	17
Change in fair value of biological assets	3	1
Harvested assets transferred to inventory	-	(35)
FX differences from translation to presentation currency	(1)	
Balance at 31 December	**18**	**4**
Total biological assets	**23**	**15**

Dairy cattle comprises the bulk of non-current biological assets. In the six months ended 30 June 2012, the Group produced 13,160 tons of milk. As of 30 June 2012 the Group held 5,786 head of livestock (31 December 2011: 16,281 head).

Current biological assets consist of winter wheat, burley, corn, sunflower, potatoes, summer wheat, soybean, and triticale crops to be harvested in the following year. In the six months ended 30 June 2012, the Group harvested 155,795 tons of agricultural produce. As at 30 June 2012 the Group had planted 63,926 hectares of winter wheat, burley, corn, sunflower, potatoes, summer wheat, soybean, and triticale (31 December 2011: 23,512 hectares).

F.5. Assets and liabilities held for sale

F.5.1. Sale of Nomos-Bank

In June 2012, the Group entered into the transaction resulting in future exchange of whole share in Nomos-Bank for shares in Uralkali, publicly traded shares of Russian fertiliser producer. As Nomos-Bank shares were disposed at the beginning of August, the whole stake in Nomos-Bank is classified as held for sale. The value of investment in associate as of 30 June is derived from calculation of fair value of the exchanged shares. Refer to F.7 for details of the bank performance in 2012.

F.5.2. Sale of real estate projects

Residual balances in 2012 and 2011 columns represent real estate projects there are/were in the sales process.

Details of assets and liabilities held for sale are as follows:

In millions of EUR

	30 June 2012	31 December 2011
Investment property	11	3
Other assets	-	1
Investments in associates (Nomos-Bank)	559	-
Total assets held for sale	**570**	**4**
Liabilities to banks	2	-
Total liabilities held for sale	**2**	**-**

F.5.3. Sale of Ukrainian Home Credit Bank in January 2011

The Group's 100% ownership interest in Home Credit Bank (PJSC) was the subject matter of a sales transaction entered into on 3 December 2010 and completed on 31 January 2011. MEUR 9 of the 2011 net loss from discontinued operations is attributable to a loss incurred on the sale of Home Credit Bank.

F.6. Other assets

Other assets comprise the following:

In millions of EUR

	30 June 2012	31 December 2011
Settlements with suppliers	77	81
Prepaid expenses	89	67
Other taxes receivable	59	39
Accrued income from insurance fees	72	33
Other	174	93
Subtotal other assets (gross)	**471**	**313**
Specific allowances for impairment on settlement with suppliers	(6)	(6)
Specific allowances for impairment on prepayments and other deferrals	(23)	(3)
Specific allowances for impairment on other assets	(10)	(1)
Other assets	**432**	**303**

Category "Other" contains a MEUR 60 dividend receivable from Generali PPF Holding which was received in July 2012.

F.7. Investments in associates and joint ventures

The following table shows break down of individual investments in associates and joint ventures:

In millions of EUR

	30 June 2012	31 December 2011
Generali PPF Holding	2,651	2,566
Nomos-Bank*	-	582
Polymetal	732	686
EP Holding	444	320
PSJ	-	27
Real estate projects	2	7
SAZKA**	1	-
Total investments in associates and joint ventures	**3,830**	**4,188**

*In 2012 Nomos-Bank is presented under Non-current assets held for sale
**Negative share in 2011 presented under Other loans (refer to F.2.6)

The following table shows a break-down of the share of earnings of associates and joint ventures, including gains or losses arising from changes in the Group's shares in the respective undertakings:

In millions of EUR

	30 June 2012	30 June 2011
Generali PPF Holding	76	97
Nomos-Bank	(28)	48
Polymetal	49	30
EP Holding	126	22
PSJ	1	1
Real estate projects	3	-
SAZKA	5	-
Total share of earnings in associates/joint ventures	**232**	**198**

The difference between the total investment and Group's share in equity comprises goodwill. The difference between the total share in earnings and Group's share in profit comprises gains or losses arising from changes in the Group's share (e.g. dilution).

Generali PPF Holding

In millions of EUR

	30 June 2012	31 December 2011
Total assets	16,435	15,796
Total liabilities	(10,989)	(10,478)
Group's share in total equity (49%)	2,669	2,606
Non-controlling interest on subholding level (49%)	(18)	(40)
Group's share in equity (49%)	**2,651**	**2,566**
	30 June 2012	30 June 2011
Total revenue	1,882	1,928
Total net profit	159	199
Group's share in net profit (49%)	78	98
Non-controlling interests on subholding level (49%)	(2)	(1)
Group's share in profit (49%)	**76**	**97**

Nomos-Bank

The economic share held by the Group was diluted in December 2010 to 28.24% and in April 2011 to 26.53%, by an increase in Nomos-Bank's capital in which the Group did not participate. In December 2011, the Group increased its economic share to 27.34% by purchasing publicly traded GDRs on the market (two GDRs represent one share). In April 2012, the group sold part of its GDRs and diluted its economic share to 27.33%. As of April 2011, the company was listed on the Moscow Stock Exchange. As of 30 June 2012, the GDR price of Nomos-Bank was USD 12.0.

Share in Nomos-Bank is presented as held for sale (refer to F.5). As of 30 June 2012, the investment was impaired by additional MEUR 76 (MEUR 36 at 31 December 2011). Impairment losses are included in the Share of earnings of associates/joint ventures.

In millions of EUR

	30 June 2012	31 December 2011
Total assets	16,903	15,854
Total liabilities	(14,864)	(14,041)
Group's share in total equity (27.33%; in 2011 27.34%)	557	496
Non-controlling interest at subholding level	(98)	(88)
Group's share in equity (27.33%; in 2011 27.34%)	**459**	**408**
	30 June 2012	30 June 2011
Total revenue	911	698
Total net profit	209	154
Group's share in profit (27.33%; in 2011 28.24%)	**57**	**43**
Non-controlling interest at subholding level	(9)	(7)
Impairment loss	(76)	-
Total share in profit (27.33%; in 2011 28.24%)	**(28)**	**36**

Polymetal

During 2011, the company changed its domicile to Jersey and since November 2011 the Group has held shares in Polymetal International Plc, Jersey that were exchanged for a previous share in the Russian entity Polymetal, OJSC. As a consequence of this legal restructuring, the

Group's share was diluted to 20.86%. The company is listed on the London Stock Exchange. As of 30 June 2012, the share price of Polymetal International Plc was GBP 9.09.

In millions of EUR

	30 June 2012	31 December 2011
Total assets	2,600	2,823
Total liabilities	(1,114)	(1,420)
Group's share in total equity (20.86%)	310	293
Non-controlling interest at subholding level	**(2)**	(24)
Group's share in equity (20.86%)	**308**	**269**
	30 June 2012	30 June 2011
Total revenue	592	388
Total net profit	115	108
Group's share in profit (20.86%, in 2011 21.88%)	**24**	**24**
Non-controlling interest at subholding level	(1)	-
Gain on other changes in equity of Polymetal	26	8
Total share in profit (20.86%, in 2011 21.88%)	**49**	**32**

EP Holding

In September 2011, the Group increased its effective economic share in EP Holding from 29% to a direct 40% interest by acquiring shares from PPF Partners.

In millions of EUR

	30 June 2012	31 December 2011
Total assets	3,076	1,905
Total liabilities	(1,913)	(1,328)
Group's share in total equity (40%)	465	231
Non-controlling interest at subholding level	(112)	-
Group's share in equity (40%)	**353**	**231**
	30 June 2012	30 June 2011
Total revenue	490	654
Total net profit	314	56
Group's share in profit (40%; 2011: 29%)	**126**	**22**

PSJ

In June 2012, the Group sold its share in PSJ (refer to B.3.1).

In millions of EUR

	30 June 2012	31 December 2011
Total assets	-	188
Total liabilities	-	(144)
Group's share in equity (50.00%)	**-**	**22**
	30 June 2012	30 June 2011
Total revenue	146	145
Total net profit	2	2
Group's share in profit (50.00%.)	**1**	**1**

Real estate

This investment consists of several projects, with ownership participations ranging from 24.5% to 50%. The aggregate total assets of those entities in question at 30 June 2012 are MEUR 199 (MEUR 211 at 31 December 2011), while the aggregate total liabilities are MEUR 211 (MEUR 222 at 31 December 2011).

SAZKA

In November 2011, the Group and its joint venture partner acquired the enterprise of SAZKA, the Czech lottery and betting company.

In millions of EUR, as at 31 December

	30 June 2012	31 December 2011
Total assets	155	181
Total liabilities	(154)	(191)
Group's share in equity (50.00%)	**1**	**(5)***
	30 June 2012	30 June 2011
Total revenue	63	-
Total net profit	11	-
Group's share in profit (50.00%)	**5**	**-**

* Negative share in 2011 presented under Other loans (refer to F.2.6)

F.8. Investment property

Investment property comprise the following:

In millions of EUR

	30 June 2012	31 December 2011
Investment property	351	309
Investment property under construction	159	129
Total investment property	**510**	**438**

F.9. Property, plant and equipment

The following table shows the roll-forward of property, plant and equipment:

In millions of EUR for the six months ended 30 June 2012

	Land and buildings	Other tangible assets and equipment	Tangible assets not in use	Total	Thereof under finance lease
Cost					
Balance at 1 January	230	274	12	516	2
Additions resulting from business combinations	167	4	-	171	5
Additions	3	65	28	96	3
Disposals	(1)	(6)	(25)	(32)	(1)
Other movements	(4)	5	-	1	-
Net foreign exchange differences	(6)	-	-	(6)	-
Balance at 30 June	389	342	15	746	9
Accumulated depreciation and impairment losses					
Balance at 1 January	(33)	(110)	(2)	(145)	(1)
Depreciation charge for the period	(4)	(26)	-	(30)	(1)
Depreciation included in Cost of sales (Agriculture)	-	(2)	-	(2)	-
Disposals	-	5	-	5	1
Other movements	(1)	1	-	-	-
Balance at 30 June	(38)	(132)	(2)	(172)	(1)
Carrying amount	**351**	**210**	**13**	**574**	**8**

In millions of EUR, for the year ended 31 December 2011

	Land and buildings	Other tangible assets and equipment	Tangible assets not in use	Total	Thereof under finance leases
Cost					
Balance at 1 January	274	190	11	475	5
Additions resulting from business combinations	4	23	1	28	-
Disposal resulting from business combinations	(47)	(6)	(2)	(55)	-
Additions	12	86	12	110	1
Disposals	(5)	(14)	(10)	(29)	(4)
Net foreign exchange differences	(8)	(5)	-	(13)	-
Balance at 31 December	230	274	12	516	2
Accumulated depreciation and impairment losses					
Balance at 1 January	(31)	(91)	(2)	(124)	(3)
Disposal resulting from business combinations	2	2	-	4	-
Depreciation included in Cost of sales (Agriculture)	-	(1)	-	(1)	-
Depreciation charge for the year	(8)	(36)	-	(44)	(2)
Reversal of impairment losses	2	1	-	3	-
Disposals	2	12	-	14	4
Other movements	(1)	1	-	-	-
Net foreign exchange differences	1	2	-	3	-
Balance at 31 December	(33)	(110)	(2)	(145)	(1)
Carrying amount	**197**	**164**	**10**	**371**	**1**

F.10. Intangible assets

Intangible assets comprise the following:

In millions of EUR

	30 June 2012	31 December 2011
Goodwill	266	235
Software	59	52
Trademark	181	180
Other intangible assets	13	11
Total intangible assets	**519**	**478**

Increase of goodwill reflects the acquisition of retail chain in Russia made by Eldorado (refer to B.2.1).

F.11. Due to non-banks

Liabilities to non-banks comprise the following:

In millions of EUR

	30 June 2012	31 December 2011
Current accounts and demand deposits	1 789	856
Term deposits	3 603	2,255
Loans	612	273
Loans received under repo operations	24	36
Total liabilities to non-banks	**6,028**	**3,420**

The table shows the liabilities owed to corporate and individual clients of the Group, the bulk of which relates to the banking business of PPF banka, Home Credit and Finance Bank and newly Air Bank.

Category "Loans" contains a 325 MEUR loan provided by PPF Partners which is onlent to EP Holding (refer to F.2.6).

F.12. Due to banks and other financial institutions

Liabilities to banks and other financial institutions comprise the following:

In millions of EUR

	30 June 2012	31 December 2011
Repayable on demand	4	4
Secured loans (other than repo)	3 232	3,082
Unsecured loans	451	580
Other	37	32
Total liabilities to banks	**3,724**	**3,698**

F.13. Debt securities issued

The following table shows details of bonds issued by the Group:

In millions of EUR

	Interest rate	Date of maturity	30 June 2012	31 December 2011
Unsecured CZK bond issue 5 of MCZK 3,750	fixed	June 2016	120	-
Notes MEUR 400	fixed	November 2015	415	403
Unsecured CZK bond issue 4 of MCZK 2,900	fixed	September 2015	91	88
Unsecured RUB bond issue 7 of MRUB 5,000	variable	April 2015	123	118
CZK participation note of MCZK 200; rate 5.00%	variable	November 2014	16	7
Unsecured RUB bond issue 6 of MRUB 5,000	variable	June 2014	121	120
Unsecured RUB bond issue 03 of MRUB 4,000	variable	April 2014	98	97
Unsecured RUB bond issue 01 of MRUB 3,000	variable	April 2014	19	73
USD loan participation notes 6 of MUSD 500	fixed	March 2014	364	354
Unsecured RUB bond issue 5 of MRUB 4,000	variable	April 2013	98	94
Unsecured CZK bond issue 3 of MCZK 4,000	fixed	June 2012	-	97
Deposit bill of exchange; rate 4.25%	fixed	August 2013	10	-
Deposit bill of exchange; rate 1.85%	fixed	June 2013	16	-
Deposit bill of exchange; rate 2.35%	fixed	January 2013	1	-
Deposit bill of exchange; rate 2.35%	fixed	January 2013	1	-
Deposit bill of exchange; rate 1.85%	fixed	December 2012	29	-
Deposit bill of exchange; rate 1.71%	fixed	December 2012	2	-
Deposit bill of exchange; rate 2.31%	fixed	December 2012	1	-
Deposit bill of exchange; rate 2.65%	fixed	November 2012	1	1
Deposit bill of exchange; rate 2.65%	fixed	November 2012	1	1
Deposit bill of exchange; rate 2.19%	fixed	October 2012	1	-
Deposit bill of exchange; rate 2.26%	fixed	October 2012	1	-
Deposit bill of exchange; rate 1.36%	fixed	September 2012	14	-
Deposit bill of exchange; rate 1.36%	fixed	September 2012	10	-
Deposit bill of exchange; rate 2.26%	fixed	September 2012	1	-
Deposit bill of exchange; rate 2.30%	fixed	September 2012	1	-
Deposit bill of exchange; rate 1.36%	fixed	August 2012	16	-
Deposit bill of exchange; rate 1.36%	fixed	August 2012	8	-
Deposit bill of exchange; rate 1.36%	fixed	August 2012	4	-
Deposit bill of exchange; rate 5.00%	fixed	July 2012	9	9
Deposit bill of exchange; rate 1.36%	fixed	July 2012	7	-
Deposit bill of exchange; rate 1.36%	fixed	July 2012	6	-
Deposit bill of exchange; rate 1.36%	fixed	July 2012	6	-
Deposit bill of exchange; rate 1.55%	fixed	July 2012	4	-
Deposit bill of exchange; rate 2.25%	fixed	July 2012	2	-
Deposit bill of exchange; rate 1.98%	fixed	July 2012	2	-
Deposit bill of exchange; rate 2.25%	fixed	July 2012	1	-
Deposit bill of exchange; rate 2.18%	fixed	July 2012	1	-
Deposit bill of exchange; rate 2.27%	fixed	June 2012	-	1
Deposit bill of exchange; rate 2.23%	fixed	April 2012	-	1
Deposit bill of exchange; rate 2.18%	fixed	April 2012	-	1
Deposit bill of exchange; rate 1.85%	fixed	March 2012	-	39
Deposit bill of exchange; rate 2.23%	fixed	March 2012	-	1
Deposit bill of exchange; rate 2.31%	fixed	March 2012	-	1
Deposit bill of exchange; rate 1.30%	fixed	February 2012	-	15
Deposit bill of exchange; rate 1.36%	fixed	February 2012	-	5
Deposit bill of exchange; rate 1.09%	fixed	January 2012	-	13
Deposit bill of exchange; rate 1.30%	fixed	January 2012	-	3
Deposit bill of exchange; rate 2.40%	fixed	January 2012	-	3
Deposit bill of exchange; rate 1.91%	fixed	January 2012	-	2
Deposit bill of exchange; rate 1.30%	fixed	January 2012	-	2
Deposit bill of exchange; rate 2.36%	fixed	January 2012	-	1
Deposit bill of exchange; rate 2.18%	fixed	January 2012	-	1
Deposit bill of exchange; rate 2.40%	fixed	January 2012	-	1
Deposit bill of exchange; rate 1.30%	fixed	January 2012	-	1
Deposit bill of exchange; rate 2.23%	fixed	January 2012	-	1
Total debt securities issued			**1,621**	**1,554**

F.14. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise the following:
In millions of EUR

	30 June 2012	31 December 2011
Negative fair values of derivatives	76	63
Obligation to deliver securities	241	280
Other	7	8
Total financial liabilities FVTPL	**324**	**351**

F.15. Provisions

Provisions comprise the following:

In millions of EUR

	30 June 2012	31 December 2011
Warranty repair reserve	2	1
Goods returns	9	9
Provision for litigations except for tax issues	1	1
Other provisions	18	19
Total provisions	**30**	**30**

F.16. Other liabilities

Other liabilities comprise the following:

In millions of EUR

	30 June 2012	31 December 2011
Settlements with suppliers	524	480
Wages and salaries	77	70
Social security and health insurance	19	13
Other tax payable	36	31
Finance lease liabilities	8	2
Accrued expenses	13	13
Deferred income	45	50
Advance received	42	26
Other liabilities	107	31
Total other liabilities	**871**	**716**

The increase in „Other liabilities“ relates to the business of PPF banka.

F.17. Issued capital

The following table provides details of authorized and issued shares:

	30 June 2012	31 December 2011
Number of shares authorised	250 000	250 000
Number of shares issued and fully paid	66 738	66 738
Par value per share	EUR 10	EUR 10

F.18. Net interest income

Interest income comprises the following:

In millions of EUR, for the six months ended 30 June

	2012	2011
Financial instruments at fair value through profit or loss	7	8
Financial instruments available-for-sale	24	8
Due from banks and other financial institutions	23	9
Consumer loan receivables	226	243
Cash loan receivables	390	158
Revolving loan receivables	104	89
Car loan receivables	11	8
Mortgage loan receivables	6	8
Loans to corporations and other loans and receivables	49	28
Total interest income	**840**	**559**

Interest expense comprises the following:

In millions of EUR, for the six months ended 30 June

	2012	2011
Due to non-banks	151	31
Due to banks and other financial institutions	87	62
Debt securities issued	56	64
Other	3	5
Total interest expenses	**297**	**162**
Total net interest income	**543**	**397**

F.19. Net fee and commission income

Fee and commission income comprises the following:

In millions of EUR, for the six months ended 30 June

	2012	2011
Penalty fees	38	36
Insurance commissions	189	64
Cash transactions	25	16
Customer payment processing and account maintenance	13	13
Retailers’ commissions	7	4
Other	16	23
Total fee and commission income	**288**	**156**

Fee and commission expense comprises the following:

In millions of EUR, for the six months ended 30 June

		2011
Commissions to retailers	29	20
Cash transactions	8	5
Payment processing and account maintenance	8	5
Other	5	3
Total fee and commission expense	**50**	**33**
Total net fee and commission income	**238**	**123**

F.20. Net gain/loss on financial assets

In millions of EUR, for the six months ended 30 June

	2012	2011
Net trading income	(23)	26
Securities trading	-	3
Debt securities	4	8
Equity securities	(4)	(5)
FX trading	1	2
Derivatives	(24)	21
Net gains on financial assets at fair value through profit or loss	1	(2)
Equity securities	1	(2)
Net realized gains	-	3
Financial assets available for sale	1	2
Loans and receivables	(1)	1
Dividends	4	14
Total net gains/losses on financial assets	**(18)**	**41**

F.21. Net impairment losses on financial assets

In millions of EUR, for the six months ended 30 June

	2012	2011
Financial instruments available for sale	15	145
Consumer loan receivables	57	45
Cash loan receivables	167	45
Revolving loan receivables	20	16
Car loan receivables	2	2
Mortgage loan receivables	(2)	-
Loans to corporations and other loans and receivables	61	(1)
Total net impairment losses on financial assets	**320**	**252**

The impairment of available-for-sale instruments in 2011 corresponds to decline of the market value of shares of Assicurazioni Generali and Pireaus Bank.

The increase of impairment losses on cash loan receivables corresponds to the growth of Russian consumer finance business (refer to F.2.5).

F.22. Net real estate income

Rental and related income comprises the following:

In millions of EUR, for the six months ended 30 June

	2012	2011
Gross rental income	9	9
Service income	-	2
Service charge income	5	-
Service charge expenses	(4)	-
Total rental and related income	**10**	**11**

Net valuation gain/loss on investment property comprises the following:

In millions of EUR, for the six months ended 30 June

	2012	2011
Valuation gains on investment property	33	7
Valuation losses on investment property	(19)	(34)
Total net valuation gain/(loss) on investment property	**14**	**(27)**

Profit on disposal of investment property comprises the following:

In millions of EUR, for the six months ended 30 June

	2012	2011
Proceeds from the sale of investment property	1	-
Carrying value of investment property sold	(1)	-
Total profit on disposal of investment property	**-**	**-**

Net income related to construction contracts comprises the following:

In millions of EUR, for the six months ended 30 June

	2012	2011
Revenues from construction contracts	2	-
Cost related to construction contracts	(2)	-
Total net income related to construction contracts	**-**	**-**

F.23. Other operating income

In millions of EUR, for the six months ended 30 June

	2012	2011
Rental income	9	8
Foreign currency gains	4	-
Recognized income from excess of acquired net fair value over costs	5	4
Healthcare income	-	5
Loss on monetary position	(2)	-
Other income	10	16
Total other income	**26**	**33**

The 2012 loss on monetary position represents the effect of the application of IAS 29 – Financial Reporting in Hyperinflationary Economies on Home Credit Bank (OJSC), which is incorporated in the Republic of Belarus.

F.24. General administrative expenses

In millions of EUR for the six months ended 30 June

	2012	2011
Employee compensation	256	178
Payroll related taxes (including pension contribution)	61	43
Rental, maintenance and repair expense	120	87
Advertising and marketing	39	30
Professional services	24	28
Telecommunication and postage	25	19
Travel expenses	9	6
Taxes other than income tax	10	5
Information technologies	13	10
Distribution, transport and storage of goods	20	21
Other	55	47
Total general administrative expenses	**632**	**474**

F.25. Other operating expenses

In millions of EUR for the six months ended 30 June

	2012	2011
Foreign currency losses	-	8
Depreciation of property, plant and equipment	30	23
Amortisation of intangible assets	12	10
Net impairment losses on goodwill recognized	4	17
Net impairment losses on property, plant and equipment recognized	-	(2)
Loss on disposal of property, plant, equipment, and intangible assets	1	2
Net impairment losses on other assets	1	(4)
Total other operating expenses	**48**	**54**

F.26. Income tax expense

Income tax expense comprises the following:

In millions of EUR, for the six months ended 30 June

	2012	2011
Current tax expense	(70)	(71)
Deferred tax expense	17	(2)
Total income tax expense	**(53)**	**(73)**

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The Group's consolidated effective tax rate in respect of continuing operations for the six months ended 30 June 2012 was 17% (30 June 2011: 31 %). The effective tax rate decreased compared to 2011 as a result of higher profits from associated companies which is included the profit and loss account net of tax.

F.27. Other contingencies

F.27.1. Litigation

The Group (as a former sole shareholder of Česká pojišťovna a.s.) is involved in litigation (formally consisting of five disputes merged procedurally into one) in which the adequacy of the consideration paid to minority shareholders arising from the decision of the general meeting of Česká pojišťovna a.s. adopted in July 2005 approving a squeeze-out of minority shareholders is being challenged in court. Based on legal analyses carried out by external legal counsel, management believes that it is unlikely that this case will be concluded in favour of the plaintiff.

In March 2012, a tribunal in Bucharest ruled on an appeal brought by the initial owner (Mr. Bleanca Petru) from whom the Group acquired land (the "Bavaria" project) against a decision of the court of first instance annulling the Mr. Bleanca Petru's ownership title to the land. The ruling dismissed the appeal, upholding the decision of the Bucharest First District Court. This effectively means that the initial owner would not be considered to be the owner of the land. Further court proceedings are pending (motion of unconstitutionality) but do not have the immediate and direct impact on the decision of the Bucharest tribunal. Despite that, Mr. Petru still possesses a restitution claim on other non-specified land of the same size, or a non-specified amount of shares of Romanian National Land Fund. For that reason the Group has signed an assignment of those restitution claims with Mr. Petru. As a consequence of this situation, the Group decided to decrease the fair value of this land plot from MEUR 13 in 2010 to nil in 2011.

The Group is involved in litigation with a minority partner regarding enforcement of shareholder and managerial control over two Russian real estate projects (Eastfield Kazan LLC and KLP LLC). Although the Group holds majority stakes in both projects, management control has been entrusted to the minority shareholder. In 2011, the Group became aware that in some of the projects the nominees of the minority partner have taken certain steps and entered into certain transactions which could be considered under given circumstances as harmful to the Group's investments. Despite PPF Group's efforts, some directors and nominees of the minority partner in the project companies that have been removed from their positions are still refusing to cooperate in a transition of management powers. Also, the Group is being denied access to the accounting and business information necessary for the Group's consolidation process. As this situation calls its ability to control the assets into question, the Group has decided to write down the investment property within these projects to nil in 2011, even though the fair value of the property based on an internal valuation is MEUR 3.

F.27.2. Taxation

The taxation systems in the Russian Federation, the Republic of Belarus and China are characterised by frequent changes in legislation which are subject to varying interpretation by diverse tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the power to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during several subsequent calendar years. Common practice in the Russian Federation, the Republic of Belarus and China suggests that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

The facts mentioned above may create tax risks in the respective countries that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities and that outstanding tax receivables are recoverable based on its interpretations of applicable Russian, Belarusian and Chinese tax legislation, official pronouncements and court decisions.

F.28. Commitments, guarantees and collaterals

Loan and capital expenditure commitments and guarantee comprise the following:

In millions of EUR

	30 June 2012	31 December 2011
Loans commitments	1,513	1,188
Revolving loan commitments	1,011	837
Consumer loan commitments	23	25
Cash loan commitments	8	6
Undrawn overdraft facilities	55	63
Term loan facilities	416	257
Capital expenditure commitments	17	23
Guarantees provided	335	227
Non-payment guarantees	51	39
Non-revocable letters of credit	3	1
Payment guarantees	281	187
Total commitments and contingent liabilities	**1,865**	**1,438**

Collaterals and guarantees received comprise the following:

In millions of EUR

	30 June 2012	31 December 2011
Guarantees – received	636	501
Loan commitments – received	82	89
Value of property received as collateral	1,563	1,022
Total collaterals received	**2,281**	**1,612**

F.29. Related party transactions

F.29.1. Transactions with associates

During the period the Group had the following significant transactions at arm’s length with associates:

In millions of EUR

	30 June 2012	30 June 2011
Interest income	24	6
Fee and commission income	132	60
Net gain/loss on financial assets	2	-
Rental and related income	1	5
Operating income	2	3
Total revenue	**161**	**74**
Interest expense	(29)	(17)
Operating expense	(3)	(1)
Total expense	**(32)**	**(18)**

As at the end of the reporting period, the Group has the following balances with associates:

In millions of EUR

	30 June 2012	31 December 2011
Cash and cash equivalents	8	3
Financial assets at fair value through profit or loss	9	8
Financial assets available for sale	24	11
Loans and receivables due from banks and other	269	269
Loans and receivables due from non banks	385	102
Other assets	84	29
Investment property	-	49
Total assets	**779**	**471**
Due to non-banks	(708)	(325)
Due to banks and other financial institutions	(434)	(416)
Debt securities issued	(180)	(222)
Financial liabilities at fair value through profit or loss	-	-
Other liabilities	(10)	(13)
Total liabilities	**(1,332)**	**(976)**

F.29.2. Other related parties

During the course of the year the Group had the following significant transactions at arm's length with other related parties:

In millions of EUR, for the year ended 30 June

	2012	2011
Net trading income	-	2
Total revenue	**-**	**2**
General administrative expense	(1)	(3)
Total expenses	**(1)**	**(3)**

At the reporting date the Group had the following balances with other related parties:

In millions of EUR

	30 June 2012	31 December 2011
Loans and receivables due from non-banks	1	4
Other assets	-	1
Total assets	**1**	**5**
Current accounts, deposits and loans from non-banks	(1)	(20)
Other liabilities	(7)	(8)
Total liabilities	**(8)**	**(28)**

G. Subsequent events

G.1. Increase of share in EP Holding

In May 2012, the Group, through its fully controlled subsidiary (Timeworth Holdings Ltd), provided MEUR 325 hybrid financing to EP Holding, consisting of (i) a MEUR 100 subordinated loan facility and (ii) a MEUR 225 subordinated loan facility convertible into shares of EP Holding at pre-defined terms. In August 2012, the Group swapped a part of the loan for EP Holding shares increasing its economic share in EP Holding from 40% to 44.4%.

G.2. The Calyon Facility

As a result of the downgrading of Assicurazioni Generali's credit rating by Moody's from A1 to Baa1 on 17 July 2012, both the borrower (PPF Co1 B.V.) and the facility agent (Credit Agricole CAIB representing the lenders of a MEUR 2,099 syndicated loan referred to as the Calyon Facility) have the right, pursuant to the Revolving Loan Facility Agreement entered into by PPF Co1 B.V., the lenders (including the facility agent) and others on 22 October 2007, to serve a cancellation notice which would lead to an acceleration and early repayment of the facility under the Revolving Loan Facility Agreement. The borrower has proposed to the facility agent to negotiate a waiver of its right to serve the cancellation notice. The negotiations between the borrower, Assicurazioni Generali and the lenders (including the facility agent) are pending as at date hereof.

G.3. Sale of SAZKA enterprise

In October 2012, the Group agreed to sell its 50% share in SAZKA sázková kancelář to KKCG SE, the current joint venture partner. Details of the deal as well as final closing are subject of further negotiation.

Date:	Signature of the Authorised Representative:
19 October 2012	