
PPF

PPF Group Annual Report 2009

Contents

PETR KELLNER

Founder and Majority Shareholder of PPF Group N.V.

Introduction

Dear friends!

As you know, 2009 was a year of continued global economic crisis. From PPF Group's perspective, however, it was also a time in which we took advantage of opportunities that presented themselves. Responding correctly to these new challenges was not easy. Therefore, I am pleased that we succeeded and that the crisis did not weaken us.

PPF's business has long outgrown the boundaries of its original domestic markets of the Czech Republic and Slovakia. In 2009, not only did we continue to expand into new sectors, diversifying our investments but in a certain sense, last year we also experienced a return to the roots of our business – to an investment group model.

A large portion of our activities continues to be in banking and insurance. This is an area that is sensitive to the overall condition of the markets, national economies, demand, and unemployment. Under the conditions of the ongoing crisis – especially at the beginning of the year – we had to maintain a great degree of flexibility and financial discipline. We continued to cut costs, revised our product offerings, and in several countries we began taking deposits in addition to providing consumer financing. Thus, we continued our aggressive optimization program that constituted our initial response to the crisis in late 2008, while at the same time beginning to do new things. For example, in Russia we substantially shifted Home Credit towards retail banking, increased its efficiency, and posted record profit. In Ukraine, on the other hand, very difficult market conditions made it imperative for us to navigate the business with prudence and caution.

In this way, we succeeded in maintaining our position in the markets hit by the crisis and, in the end, posted decent results. We are particularly pleased, in this respect, with the development of our consumer credit ventures in Vietnam and China, where we are pioneers in this area of financial services. We are convinced that the future belongs to this region.

During 2009, PPF reaffirmed its strong position as a major investor in Russia, Central & Eastern Europe, and Asia – and that would not have been possible without our business partners and alliances.

We expanded our strategic partnership with Generali Group beyond insurance to include funding as well. In Russia, we deepened our alliance with ICT, the domestic financial and industrial group, and together we made progress in developing Nomos Bank. No longer a mere corporate bank in Moscow and the surrounding area: it has successfully penetrated the regions with a program for financing Small and Medium-sized Enterprises (SMEs). Similarly, at Polymetal we worked with ICT Group and bet on acquisitions of new gold deposits in Russia and Kazakhstan which will bring a major shift in Polymetal's future production from a predominance of silver towards gold, and therefore strengthen the company's position in the global marketplace.

In the Czech Republic and Slovakia, we co-founded the Energy and Industrial Holding in cooperation with Daniel Křetínský and J&T Group. As a result, today we have considerable influence on the generation and distribution of electricity and heat in the region as Energy and Industrial Holding is the second biggest player in the Czech energy market.

We also significantly expanded our operations in real property in order to become an important player in the Central & Eastern European market for both office and residential real estate.

We fulfilled our plans to acquire distressed assets during the crisis, restructure them, and imbue them with new value. In so doing, we have entered segments that we had not been involved in recently, further diversifying our investment portfolio. Such investments include our acquisition of Eldorado – the largest retail electronics chain in Russia.

Thus, from 2009 – a year of crisis – we have emerged stronger than ever before. We have an increasingly diversified business, our revenue sources are more widely distributed, and our business partnerships have a new depth.

I would like to thank all our co-workers and partners for their hard work in contributing to these demanding solutions to further developing our group in a year of crisis. Likewise, our thanks go out to all our customers in the retail segments. We appreciate their loyalty and favour very much.

I am confident that the years to come will see the markets recover and start to produce more interesting investment opportunities.

Petr Kellner

JIŘÍ ŠMEJC

Shareholder of PPF Group N.V.

PPF Group Profile

PPF Group, a privately owned financial and investment group, is one of the largest of its kind in Central & Eastern Europe. As at 31 December 2009, its assets totalled EUR 10.8 billion. PPF Group actively manages its portfolio of investments, further developing businesses that it owns in order to create significant value for shareholders. The Group is active in exploiting various investment opportunities in the emerging markets of Central & Eastern Europe (CEE), Russia, the Commonwealth of Independent States (CIS), and the Far East.

The corporate ownership and decision making structure of PPF Group is based in the Netherlands. The Group's key holding company that makes strategic decisions regarding the entire Group's activities is the Amsterdam-based PPF Group N.V. This company owns 100% of Home Credit B.V. (the holding company for CEE Home Credit Group companies in the consumer finance business segment), 100% of HC Asia N.V. (the holding company in a structure currently being built for an Asian consumer finance business) and, through its subsidiary PPF Co1 B.V., 49% of Generali PPF Holding B.V. It is also the majority shareholder of the companies PPF banka a.s. and PPF a.s., the latter of which is the principal advisory company to the entire PPF Group. PPF Group N.V. owns a 72.5% stake in PPF Partners Limited, the management company of PPF Partners, a structure focused on private equity in the CEE and CIS regions.

Selected Indicators of PPF Group

In millions of EUR, according to IFRS	2009	2008	2007
Assets	10,802	10,730	10,076
Shareholders' equity	4,000	3,703	1,426
Revenue*	1,960	1,525	2,674
Non-insurance revenue	1,960	1,525	1,042
Insurance revenue	–	–	1,632
Net earnings	289	2,489	244

* The 2007 figure includes revenue from an insurance business in which the Group currently has a minority interest and therefore it has not been consolidated since 2008.

LADISLAV BARTONÍČEK

Shareholder of PPF Group N.V.

JEAN-PASCAL DUVIEUSART

Shareholder of PPF Group N.V.

Important Events in PPF Group

2009

January

PPF Group obtains, from the Russian Federation's Federal Antimonopoly Services (FAS), the permit necessary to acquire a stake in Eldorado, the largest consumer electronics and domestic appliance retail chain in Russia.

February

The J&T and PPF Groups sign an agreement on formation of a joint venture in the areas of energy and industry.

The PPF and Generali PPF Holding Groups, acting in concert and owning securities of Zentiva N.V., decide to accept the voluntary offer to take over shares of Zentiva announced by Sanofi-Aventis Europe.

April

PPF Group and Russian businessman Igor Yakovlev agree on a debt-to-capital conversion that will enable PPF Group to acquire a majority stake of 50% + 1 share in the retail chain Eldorado, a company founded and managed by Igor Yakovlev.

May

PPF formally launches its consumer finance operations in Vietnam, thus adding an 8th market to its emerging Europe and Asia portfolio. PPF Vietnam Finance company Ltd. is a 100% subsidiary of PPF Group N.V., which provides product-tied lending to qualified mass markets under the "Home Credit" brand.

July

Through its 100% subsidiary, Russia Finance Corporation B.V., PPF Group acquires a 9.9% stake in the Russia-based Khanty-Mansiyskiy Bank. This investment is in line with the Group's strategy to pursue further investment opportunities in the Russian market.

September

Through a USD 300 million debt-for-equity swap, PPF Group acquires a controlling stake (50% plus one share) in Eldorado, Russia's largest electronics and domestic appliances retailer.

October

Energy and Industrial Holding finalises its shareholding structure and commences its operations. PPF Group and Mr Daniel Křetínský complete their entry into the Holding, which consists of energy and industrial assets spun-off from J&T Group.

November

Home Credit & Finance Bank (HCFB) and Gazprombank successfully complete placement of HCFB bond issue in the secondary market. During the book-building process, demand exceeds supply by 40% in terms of both volume and pool of investors. This testifies to the issuer's high credit standing. A total of 2.961 million bonds were sold for more than 3 billion roubles.

December

PPF Healthcare a.s., a part of PPF Group, agrees to acquire the company Euroclinicum, which owns two hospitals and five policlinics in the Czech Republic.

2010

January

Following the completion of all relevant agreements among the shareholders of PPF Group N.V., Jean-Pascal Duvieusart becomes a minority shareholder by indirectly purchasing a 0.25% stake in PPF Group N.V. from Petr Kellner, the founder and majority shareholder, for an undisclosed amount. Ladislav Bartoníček, another minority shareholder, in a decision related to his private family investments, decides to reduce his stake by 0.14%. As a consequence of these changes, the ownership of PPF Group N.V. is: Petr Kellner: 94.25%; Jiri Smejc: 5.00%; Ladislav Bartonicek: 0.50%; J.-P. Duvieusart: 0.25%.

February

A subsidiary of PPF Group N.V. successfully settles a transaction with ArcelorMittal regarding the sale of PPF's 13.881% stake in ArcelorMittal Ostrava, a.s., for CZK 6,879,524,000 (approximately EUR 260 million at the current exchange rate). ArcelorMittal thus increases its stake in ArcelorMittal Ostrava, a.s. to approximately 96.4%, and PPF Group steps out of the Czech steelmaker's shareholding structure.

March

PPF Group N.V. receives approval from the China Banking Regulatory Commission to establish a Consumer Finance Company ("CFC") in Tianjin, northern China. Following this regulatory approval PPF Group may establish the first CFC in China to be fully owned by a foreign investor, in accordance with new consumer finance legislation adopted in China in August 2009.

April

Directly and indirectly through its 100% subsidiary Anthiarose Ltd., PPF Group N.V. completes a purchase of 31,448,841 shares in Assicurazioni Generali. PPF Group thus gains a 2.02% interest in the share capital of the leading Italian insurer.

People of PPF


Marie
Neumannová
Richard
Paulík
Kristýna
Srbová
Mariola
Kopecká
Katerina
Nicajasová
Dagmar
Karolina
Vánová
Martina
Hilszherová
Alexej
Bechtin
Jitka
Solnická
Renata
Gregorová

Overview of PPF Group Businesses

PPF banka a.s.
Czech Republic

Home Credit B.V.
Netherlands

- Home Credit Bank, JSC*
  Kazakhstan
- Home Credit a.s.
  Czech Republic
- Home Credit Bank, CJSC
  Ukraine
- Home Credit Bank, OJSC
  Belarus
- Home Credit & Finance Bank, LLC
  Russia
- Home Credit Slovakia, a.s.
  Slovakia
- Home Credit International a.s.
  Czech Republic

PPF CO1 B.V.
Netherlands

- Generali PPF Holding B.V.*
  Netherlands

Russia Finance Corp. B.V.
Netherlands

- Nomos-Bank, OJSC*
  Russia

HC Asia N.V.
Netherlands

- HC CHINA
  China

PPF Vietnam Finance Company Ltd.
Vietnam

Financial Services

PPF Partners Ltd.
Guernsey

- PPF Partners 1 GP Limited
  Guernsey
- Energetický a průmyslový holding a.s.*
  Czech Republic

Fund Management

* Minority Interests

Petr Kellner
(94.25%)

Jiří Šmejc
(5%)

Ladislav Bartoníček
(0.5%)

Jean-Pascal Duvieusart
(0.25%)

PPF Group N.V.
Netherlands

Pearlmoon Ltd.
Cyprus

Polymetal, OJSC*
Russia

PPF Healthcare a.s.
Czech Republic

EURO-CLINICUM a.s.
Czech Republic

Facipero Invest-ments Ltd.
Cyprus

Eldorado, LLC
Russia

PPF ECM Advisory s.r.o.
Czech Republic

PPF a.s.
Czech Republic

PPF Media a.s.
Czech Republic

PPF Art a.s.
Czech Republic

EURONEWS, a.s.
Czech Republic

PPF Advisory ČR a.s.
Czech Republic

PPF Russia Ltd.
Cyprus

Other Strategic Interests

Real Estate

Description of the Company

PPF Group N.V.

Date of inception	29 December 1994
Seat	Strawinskylaan 933 Tower B Level 9, 1077XX Amsterdam, The Netherlands
Identification number	33264887
Share capital	EUR 667,380
Principal businesses	Group holding company, financing

ALEŠ MINX

Chairman of the Board of Directors and CEO,
PPF Group N.V.

Directors and Officers

Shareholders

Petr Kellner

Founder and Majority Shareholder of PPF Group N.V.

Born in 1964; he graduated from the Faculty of Industrial Economics of the University of Economics in Prague in 1986. He is one of the founders of PPF Group. From January 1998 to March 2007 he was Chairman of the Board of Directors of PPF a.s. Since April 2007 he has been a Member of the Board of Directors of Assicurazioni Generali S.p.A. and since January 2008 a Member of the Board of Directors of Generali PPF Holding B.V. as well. Petr Kellner manages the strategic development and the future direction of the Group.

Jiří Šmejc

Shareholder of PPF Group N.V.

Born in 1971; he graduated from the Department of Mathematics and Physics of Charles University in Prague, where he specialised in mathematical economics. He started a business in 1992 and became Managing Director and CEO of PUPP Consulting s.r.o. in 1993. In 1995 he worked as Sales Manager for Middle Europe Finance s.r.o., which traded securities, specialising in acquisitions. Until 2004 he was a 34% owner of the TV NOVA Group. He started cooperating with PPF Group in 2004 and became a shareholder in 2005. He is responsible for managing the Group's activities in Russia. Amongst other positions, as of January 2008 Jiří Šmejc is a Member of the Board of Directors of Generali PPF Holding B.V.

Ladislav Bartoníček

Shareholder of PPF Group N.V.

Born in 1964; he graduated from the Czech Technical University in Prague, Faculty of Electrical Engineering. He joined PPF investiční společnost, a.s. in 1991 as Executive Director and graduated from the Rochester Institute of Technology in New York in 1993. From 1996 to September 2006 he served as CEO of Česká pojišťovna a.s. He has been Chairman of the Board of Directors of Česká pojišťovna a.s. since June 2000. He was appointed CEO and Member of the Board of Directors of Generali PPF Holding N.V., the joint venture between PPF Group and Assicurazioni Generali, in 2007. Ladislav Bartoníček has been a PPF Group shareholder since 2007.

Jean-Pascal Duvieusart

Shareholder of PPF Group N.V.

Born in 1966; he holds an MBA from the University of Chicago and a Master's degree in Commercial Engineering from the Catholic University of Louvain, Belgium. Jean-Pascal Duvieusart joined McKinsey in 1992 and worked in Brussels and New York prior to moving to Central Europe. He was a managing partner at McKinsey Prague between 1999 and 2005, when he assumed leadership of McKinsey CIS and Central Europe. Jean-Pascal Duvieusart has advised banks and insurance companies as well as various industrial companies in Russia, the Czech and Slovak Republics, Hungary, Poland, and Romania.

Members of the PPF Top Executive Team

Jan Blaško

Born in 1964; he is a graduate of the Czech Technical University in Prague. He also holds an MBA from the University of Chicago. In 1996 Jan Blaško was named Director of PPF's brokerage company, PPF Burzovní společnost a.s. From 2000 until 2004 he was a member of the Board of Directors of the Czech insurance company Česká pojišťovna a.s. as well as a member of the board of PPF. During the last three years he has managed the Group's activities in China, focusing on Home Credit's entry into the Chinese market. Jan Blaško is responsible for real estate projects and for business development within PPF Group's top executive team.

José Garza

Born in 1967; he is an economics graduate of the University of Chicago Graduate School of Business and also holds an MBA from this institute. José Garza joined PPF Group as Head of Mergers & Acquisitions in early 2008. Prior to joining PPF, he had 17 years of investment banking experience and was Managing Director and Head of M&A for Citigroup responsible for Central & Eastern Europe, Russia, Turkey, the Middle East, and Africa. During his career, he has worked on a broad range of M&A transactions in the US, Europe, Latin America, and Asia, particularly focusing on Emerging Europe. José Garza is in charge of M&A within PPF Group's top executive team.

Martin Štefunko

Born in 1977; he holds holds a Ph.D. in Economic Theory and the History of Economic Thought from the Economic University in Bratislava, Slovakia, where he also obtained a Master's degree in Finance, Banking, and Investments. He has undertaken a study of Banking & Finance at the Johannes Keppler University in Austria and of Economic Theory at the Auburn University and its Mises Institute in the United States. Martin Štefunko joined Penta Investments in 2001 and from 2004 he was responsible as Investment Director for managing investment projects. In this capacity he managed a series of major acquisitions and business developments made by Penta in retail, healthcare, utilities, and machinery. Martin Štefunko has been working for PPF Group since 2009 as a member of the Group's top executive team and currently holds the position of Chief Investment Officer.

Pavel Horák

Mel Carvill

Ladislav Chvátal

Evžen Hart

PPF Group N.V.

Aleš Minx

Chairman of the Board of Directors and CEO

Born in 1964; he graduated from the Faculty of Industrial Economics of the University of Economics in Prague. From 1987 to 1992 he worked as Head of the Economic Department at PAL a.s. Aleš Minx joined PPF in 1992 and was its Finance Director from 1992 to June 2001. From July 2001 to May 2005 he served as CEO of PPF a.s. He was Vice-Chairman of the Supervisory Board of PPF a.s. until March 2007, and is now the Chairman of Board of Directors of PPF Group N.V. As of January 2008 he is also a Member of the Board of Directors of Generali PPF Holding B.V.

Wilhelmus Jacobus Meyberg

Member of the Board of Directors

Born in 1965; his previous positions included Financial Analyst and Financial Manager of Mattel Europe B.V. and ECsoft Nederland BV. Wilhelmus Jacobus Meyberg is a former member of the Board of Directors of Deutsche International Trust Company N.V. and REWE International Finance B.V. He joined the PPF Group in 2004 as Company Director.

Rudolf Bosveld

Member of the Board of Directors

Born in 1958; he graduated from Erasmus University in Rotterdam, where he was awarded a masters degree, with a specialisation in corporate finance. Rudolf Bosveld has more than 20 years of experience in financial services and financial markets. He has held many top positions in the financial sector, including that of Executive Director for Corporate Finance and Capital Markets of MeesPierson N.V., Director for Corporate Development, Mergers and Acquisitions of Nuon, and Managing Director of Rabobank International.

PAVEL HORÁK

Chairman of the Board of Directors
(since 21 February 2009), PPF a.s.

PPF a.s.

Pavel Horák

Chairman of the Board of Directors (from 21 February 2009)

Born in 1972; he graduated from the Economics Department of Masaryk University in Brno and the Faculty of Finance of the University of Economics in Prague. He gained financial management experience at Deloitte & Touche, where he worked as an auditor, and later during his tenure at TV NOVA, where he held the position of Financial Manager from 2001 to 2006. Pavel Horák is a Chartered Certified Accountant and a member of the Association of Chartered Certified Accountants (ACCA, UK). Currently he serves as Chief Financial Officer of PPF Group.

Evžen Hart

Member of the Board of Directors

Born in 1958; he graduated from the Theatre Department of the Academy of Performing Arts in Prague, with a specialisation in production. In 1982 he started working at the Regional Theatre in Kolín, and in 1983 in the News Department of Czechoslovak Television. Evžen Hart joined the Young & Rubicam advertising agency in 1992 and soon moved from Account Manager to Sales Manager. He joined BBK Advertising in 1993 as Sales Manager and later served as CEO and Partner. In 2000, following the acquisition of BBK by the Ogilvy Group, he was appointed CEO of Ogilvy Czech Republic. He has been Ogilvy Group's non-executive Chairman since 1 January 2006 when he joined PPF Group. Since March 2007, Evžen Hart has been a Member of the Board of PPF a.s.

Lubomír Král

Member of the Board of Directors

Born in 1972; he graduated from the Faculty of Law of Charles University in Prague and also studied at the University of Economics in Prague. He started his practice as a solicitor. From 1997 to 1999 he worked as a lawyer for the Settlement Centre of the Prague Stock Exchange. He has been with PPF since 1999. Lubomír Král is the head of the Legal Department of PPF a.s. and in addition, as of March 2007 he is also a Member of the Board of Directors of PPF a.s.

PPF banka a.s.

Petr Milev

Chairman of the Board of Directors (since March 22, 2010)

Born in 1968; he graduated from the Faculty of Mathematics and Physics of Charles University in Prague. From 1993–2000 he worked in the investment banking and capital market sector at Komerční banka a.s., BNP – Dresdner Bank ČR a.s. and Conseq Finance s.r.o. Petr Milev joined PPF Group in 2000, and since then has held a variety of management positions (first at Česká pojišťovna). He is a member of the Prague Stock Exchange's Exchange Chamber. In June 2005 he was appointed the CEO of PPF banka a.s. Currently, as of 2008, he is also a member of the Supervisory Board of Nomos-Bank.

Josef Zeman

Vice Chairman of the Board of Directors (since March 22, 2010)

Born in 1966; he graduated from the Operating Economics Faculty of the University of Agriculture in Prague. He has worked in finance, both in the corporate world (Carborundum Electrite, TOS Čelákovice) and in banking (IPB, ČSOB, and since 2002 in První městská banka – today's PPF banka a.s.). Since 2006 Josef Zeman has been a member of the PPF banka senior management team as Managing Director, Risk Management.

Pavel Langr

Vice Chairman of the Board of Directors

Born in 1971; he graduated with a degree in Finance from the University of Economics in Prague and became a Certified Internal Auditor in 2002. He previously worked at Pragobanka, a.s., Česká pojišťovna a.s. and later at eBanka, a.s., where he was the head of internal audits. Pavel Langr was elected to the Board of Directors of PPF banka a.s. in 2002. Since joining PPF banka in October 2002 he has also been the Bank's Managing Director, ICT.

František Dombek

Member of the Board of Directors (until September 30, 2009)

Born in 1967; he graduated from the Technical University of Ostrava. He worked at a subsidiary of Československá obchodní banka, a. s. from 1992 to 1993. From 1993 to 1997 he was Head of the branch office and later Deputy Branch Manager at Moravia Banka, a.s. František Dombek joined PPF banka a.s. (then První městská banka, a.s.) in 1997, and was a member of its Board of Directors from 1999 to 2002 and again from 2004 to 2006. He is also a member of the Prague Chamber of Commerce. He has been Managing Director, Sales & Marketing of PPF banka a.s. since 2002.

LADISLAV CHVÁTAL

Member of the PPF Top Executive Team

JAN BLAŠKO

Member of the PPF Top Executive Team

PPF Partners Limited

Tomáš Brzobohatý

Chairman of the Board of Directors

Born in 1968; he is a graduate of the Charles University Faculty of Law in Prague, where in 1998 he completed a doctorate in financial law and was awarded a Ph.D. Tomáš Brzobohatý is one of the founders of the PPF Partners group. Prior to the formation of PPF Partners, he was a founder and principal shareholder of the PPF Investments group, where he served as Chairman of the Board of Directors. Before the establishment of PPF Investments, he was the member of the PPF Group management team in charge of corporate finance, private equity, real estate, and investment banking. Before that he worked in the law offices of Brzobohaty, Brož & Honsa, v.o.s. as Managing Partner and at the Prague office of Burns & Schwarz as an attorney. Tomáš Brzobohatý is CEO of PPF Partners.

Mel Carvill

Member of the Board of Directors

Born in 1962; he was awarded an Advanced Diploma in Corporate Finance from the Institute of Chartered Accountants of England and Wales (ICAEW). Mel Carvill is a founder of PPF Partners Group. Prior to joining PPF Partners, where he currently serves as President and Chief Financial Officer, he worked for Assicurazioni Generali as Deputy General Manager and Regional Head of Western Europe, the Americas, and the Middle East. He was also responsible for the Group's M&A activities, the Research & Corporate Development Office and International Regulatory Affairs. He worked with the Generali Group for 23 years, holding various accounting, technical, and general management positions, joining the Head Office in 2000. He was responsible for over EUR 10 billion of transactions during his time at Generali. He is a Fellow of the Institute of Chartered Accountants in England and Wales, an Associate of the Chartered Insurance Institute, a Chartered Insurer, and a Fellow of the Securities & Investment Institute.

Ladislav Chvátal

Member of the Board of Directors

Born in 1963; he graduated from the University of Economics in Prague with a specialisation in automated management systems in economics. Ladislav Chvátal joined PPF Partners Group in January 2009, and PPF Group in 1994. Within PPF Group and later Home Credit Group, he has held a number of key managerial positions. On 1 June 2005, he became Executive Director for Retail Banking and Consumer Finance at PPF Group. He was a Member of the Board of Directors of Home Credit B.V. from January 2007 to December 2008.

Iain Stokes

Member of the Board of Directors

Born in 1964; graduated from Nottingham Trent University in 1986 with a major in Business Studies and subsequently qualified as a chartered certified accountant with BDO Binder in Guernsey. After that he spent seven years with Guernsey International Fund Managers, part of Barings, before joining Mourant in 2003 as head of its Guernsey office. Currently Iain Stokes oversees private equity fund administration for Mourant throughout Europe. He specialises in third party private equity and real estate fund administration and has acted on behalf of a number of high profile groups. He has been a Member of the Board of Directors of PPF Partners Limited since August 2008.

Home Credit B.V.

Alexander Labak

Chairman of the Board of Directors

Born in 1962; he obtained an MBA degree at the Wharton School of Business as a Fulbright scholar and completed his graduate study at the Vienna University of Economics and Business Administration. Before joining the Home Credit Group in 2006, he held executive positions at leading financial services companies such as MasterCard Europe where he served as President, and Deutsche Bank where he was Chief Marketing Officer. While working at Johnson & Johnson and Henkel, he established a strong consumer-focused track record. During his career, Alexander Labak has been responsible for business activities in all of Europe and worldwide and has also gained valuable experience with direct management in the US, Canada, Germany, Italy, Belgium, and Austria. He has been Chairman of the Board of Directors of Home Credit B.V. since 26 January 2007.

Sonia Slavtcheva

Member of the Board of Directors (since 1 January 2009)

Born in 1965; in 1988 she gained a Master's Degree from the University of National and World Economy, Sofia, Bulgaria majoring in Management and Economy of Transport. She then completed an MBA in Finance at the University of Pittsburgh. Sonia Slavtcheva joined Home Credit Group in July 2008. Prior to that she worked at GE Money, where she held a number of positions within Europe and the US in a career spanning over 10 years, during which she gained considerable experience with financial transactions. She was appointed a Member of the Board of Directors of Home Credit B.V. in January 2009.

Ivan Svítek

Member of the Board of Directors (since 1 January 2009)

Born in 1967; he holds a Bachelor of Arts degree in Economics and Political Science from Claremont McKenna College, California, USA and an MBA in Finance from INSEAD, France. He joined Home Credit & Finance Bank in Russia having held the position of President and CEO of GE Money, Sao Paolo for the previous five years. During his career he has amassed over 15 years of strategic and operational experience in financial services and consumer products across Europe and Latin America at GE and, before that, with Pepsi-Cola International. Ivan Svítek was appointed a Member of the Board of Directors of Home Credit B.V. in January 2009.

ALEXANDER LABAK

Chairman of the Board of Directors, Home Credit B.V.

PPF ECM Advisory

Tomáš Krones

CEO

Born in 1973; a graduate of the University of Economics, Prague, Faculty of Finance and Accounting. Tomáš Krones is Managing Director responsible for the real estate business of PPF Group. He has been working for PPF Group since 2002 and from 2003 to 2005 as Chairman of the Board and CEO of PPF Majetková. Prior to PPF, he worked for leading financial institutions including Komerční banka, Konsolidační banka and Raiffeisenbank, in various managerial positions. He has accumulated over 14 years of professional experience, including six years in real estate.

Advisory Committee to PPF Group N.V.*

Štěpán Popovič

Member

Born in 1945; he graduated from the Jan Evangelista Purkyně University in Ústí nad Labem, where he was awarded the degree of Dr.h.c. During his career Štěpán Popovič has worked as Chairman of the Board of Directors and CEO of Glavunion and CEO of Sklo Union s.p. He was also plant manager at the Řetenice plant of Sklotas and the Lesní Brána plant at Obas. He is currently the Chairman of the Board of Directors and the CEO for the CEE region at AGC Flat Glass Czech a.s. and has also been the Chairman of the Supervisory Board of PPF a.s. since June 2006.

Milan Maděryč

Member

Born in 1955; he is a secondary industrial school graduate and did post-graduate studies at the Technical University of Brno. Starting in 1980, he worked in the Technical and Investment Development Department of ZPS, a.s. in Zlín and later as the Head of its Trading Division. Milan Maděryč joined PPF Group in 1994. Here he served as a Member of the Board of Directors of PPF a.s. and, since June 2007, he has been Chairman of the Supervisory Board of Česká pojišťovna a.s.

Kamil Ziegler

Member

Born in 1962; he graduated from the Faculty of Commerce of the University of Economics in Prague and also Southern Methodist University in Dallas. He has held a number of important managerial positions in the banking sector – from Executive and Financial Manager of Komerční banka, a.s., to Deputy General Manager and member of the Board of Directors of Česká spořitelna, a.s., CEO and Chairman of the Bank Board of Konsolidační banka Praha, s.p.ú., and the CEO and Chairman of the Board of Directors of Raiffeisenbank a.s. Kamil Ziegler joined PPF Group in April 2004 and until April 2008 he held various positions in the statutory bodies of PPF a.s. Since April 2008 he has been a Member of the Supervisory Board of PPF a.s. and a Member of the Advisory Committee of PPF Group N.V. Since July 2008 he has been Executive Vice President for Finance with ECM Real Estate Investments, k.s. He is also Vice President of the CFOs Club of the Czech Republic.

* The Advisory Committee was established by a decision of the Board of Directors of PPF Group N.V. as of 30 April 2008, as a body comprised of experienced professionals, providing advice and support to the company's management for their strategic decisions as well as representing the interests of the entire group in relation to regulatory and other authorities.

EVŽEN HART

Member of the Board of Directors, PPF a.s.

LUBOMÍR KRÁL

Member of the Board of Directors, PPF a.s.

People of PPF

Eva
Lukáš
Pavla
Kouškova
Kateřina
Komínková
Jitka
Maškova
Vít
Cerný
Branko
Jeličić
Lucie
Jaroslav
Gaisler
Pavel
Martin
Danda
Radek
Bógi
Jan
Zettel

Descriptions of Selected PPF Group Companies

Home Credit B.V.

Consolidated Financial Highlights

EUR millions	2009	2008	Y-o-Y Change
PPF Group's share	100%	100%	–
Operating income	759.1	979.3	(22%)
Net profit	54.4	45.6	19%
Total assets	2,736.3	3,847.7	(29%)
Total equity	783.0	885.8	(12%)
Number of employees	14,600	18,600	(22%)

Home Credit B.V. operates in the Czech Republic, Slovakia, Russia, Ukraine, and Belarus.

Home Credit B.V. is a holding company, 100% owned by PPF Group N.V. It is the platform for PPF's consumer finance operations in Central & Eastern Europe and the Commonwealth of Independent States.

The Home Credit Group Consists of the following:

1. Home Credit & Finance Bank Llc.: banking and consumer lending in Russia
2. Home Credit a.s.: consumer lending in the Czech Republic
3. Home Credit Slovakia, a.s.: consumer lending in the Slovak Republic
4. CJSC Home Credit Bank: banking in Ukraine
5. OJSC Home Credit Bank: consumer lending in Belarus
6. Home Credit International a.s.: commercial strategic consulting including IT support, exclusively for Home Credit Group companies
7. Home Credit B.V.: direct owner of the consumer finance companies listed above
8. several other, smaller companies

The first Home Credit company was established in 1997 in the Czech Republic. At first, Home Credit grew in its domestic markets, i.e. the Czech Republic and Slovakia. Since 2002, Home Credit Group has been developing operations in the Russian market, where at present Home Credit & Finance Bank is one of the leaders in the consumer finance segment. During the period 2005–2007, Home Credit newly entered the markets of Kazakhstan, Ukraine, and Belarus.

In September 2008, Home Credit B.V. acquired a minority stake in a local bank in Kazakhstan – AO International Bank Almaty. The remaining, majority stake was acquired by Jiří Šmejc, a minority shareholder of PPF Group N.V., which is the corporate parent of Home Credit B.V. In November 2008, the bank changed its business name to Home Credit Bank JSC, substantially raised its capital and adopted a new development strategy based on close commercial cooperation with the company's shareholders. All business operations of Home Credit Kazakhstan JSC (a subsidiary of Home Credit B.V.) were transferred to Home Credit Bank JSC, which also implemented the Home Credit Group sales model. The result of these steps is the presence of Home Credit B.V. in Kazakhstan through a minority stake in Home Credit Bank JSC as well as through close commercial cooperation with the majority shareholder of Home Credit Bank JSC.

In recent years PPF Group has commenced operations – under the Home Credit brand – in the Chinese market as well, through HC Asia N.V., a subsidiary of PPF Group N.V. In 2009 the PPF Group, through PPF Vietnam Finance Limited, launched its consumer finance operations in Vietnam, also under the Home Credit brand.

Home Credit Group – Key Financial Indicators

Financial Performance of Key Companies, 2009

EUR millions	Home Credit and Finance Bank	Home Credit	Home Credit Slovakia	Home Credit Bank	Home Credit Bank
	Russia	Czech Republic	Slovakia	Ukraine	Belarus
Year established/acquired	2002	1997	1999	2006	2006
Net loans to clients	1,366	65	158	59	34
Operating income	586	101	37	17	14
Net profit/(loss)	117	17	2	(9)	5

Of all countries where Home Credit is present, its operations are by far the most extensive in Russia, which generated 81% of overall net loans and 77% of total operating revenue.

Net Loans by Product, 2009

EUR millions	POS Loans	Cash Loans	Cards	Other
Net loans	674	279	447	282

The principal product category is POS loans, which account for 40% of the overall product portfolio. Credit cards are a close second, at 27% of overall net lending, while cash loans account for 17%.

Home Credit B.V. – Consolidated Statement of Financial Position as at 31 December 2009

EUR thousands	2009	2008
Assets		
Cash and cash equivalents	315,118	575,955
Due from banks and other financial institutions	95,063	134,116
Loans to customers	1,682,126	2,537,448
Financial assets at fair value through profit and loss	31,217	242,181
Financial assets available-for-sale	338,723	18,105
Current income tax receivables	12,298	21,949
Deferred tax assets	12,911	20,553
Investments in associates	590	494
Investment property	980	526
Intangible assets	34,314	65,418
Property, plant and equipment	158,800	178,145
Other assets	54,161	52,831
Total assets	**2,736,301**	**3,847,721**
Liabilities		
Current accounts and deposits from customers	377,479	274,038
Due to banks and other financial institutions	502,227	866,317
Debt securities issued	958,012	1,713,494
Financial liabilities at fair value through profit and loss	7,418	13,788
Current income tax liabilities	2,182	3,694
Deferred tax liabilities	4,089	1,875
Other liabilities	101,831	88,629
Total liabilities	**1,953,238**	**2,961,835**
Equity attributable to equity holders of the parent company		
Share capital	855,569	1,156,175
Share premium	19,194	–
Statutory reserves	2,465	2,378
Foreign currency translation	(117,741)	(99,044)
Revaluation reserve	1,518	(1)
Other provisions	22,005	(173,663)
	783,010	**885,845**
Non-controlling interest	**53**	**41**
Total equity	**783,063**	**885,886**
Total liabilities and equity	**2,736,301**	**3,847,721**

Home Credit B.V. – Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2009

EUR thousands	2009	2008
Continuing operations		
Interest income	821,486	1,033,044
Interest expense	(239,318)	(224,290)
Net interest income	**582,168**	**808,754**
Fee and commission income	195,246	228,411
Fee and commission expense	(43,289)	(73,445)
Net fee and commission income	**151,957**	**154,966**
Net (losses)/gains on financial assets	(145,415)	174,460
Other operating income/(expense)	170,384	(158,913)
Operating income	**759,094**	**979,267**
Impairment losses on financial assets	(276,900)	(301,684)
Net expense related to credit risk insurance	(17,639)	(19,157)
General administrative expenses	(287,170)	(474,064)
Other operating expenses	(75,325)	(82,334)
Operating expenses	**(657,034)**	**(877,239)**
Net loss from investments in subsidiaries	(2,651)	–
Profit before tax	**99,409**	**102,028**
Income tax expense	(45,054)	(56,426)
Net profit for the year	**54,355**	**45,602**
Currency translation	**(18,697)**	**(85,094)**
Revaluation of available-for-sale financial assets, net of tax	**1,519**	–
Other comprehensive income for the year	**(17,178)**	**(85,094)**
Total comprehensive income for the year	**37,177**	**(39,492)**
Attributable to:		
Equity holders of the parent	37,165	(39,500)
Non-controlling interest	12	8
	37,177	(39,492)

PPF banka a.s.

Consolidated Financial Highlights

EUR millions	2009	2008
PPF Group's share	92.96%	92.96%
Net profit	30,686	21,780
Total assets	1,633,953	1,663,617
Total equity	132,680	99,496
Loans-to-deposits ratio	46%	25%
Number of employees	124	113

Activities in the Czech Republic in 2009

Despite the continuing financial crisis, PPF banka posted record net profit. This attests to customers' faith in the Bank's services at a very difficult time for the financial sector.

Due to the ongoing economic crisis, the Bank has focused on the quality of its interest-bearing portfolio, the income derived from commissions and fees and on new activities in the retail loan business. The overall amount due to customers decreased by 15% from CZK 34.9 billion in 2008 to CZK 29.6 billion as of 31 December 2008.

The volume of loans classified as sub-standard or doubtful declined year on year from 6.9% to 6.4% and the volume of bad debts (loans overdue for more than 90 days) was lower than 0.5%. The volume of loans provided to clients increased by 54% year-on-year, to CZK 13.5 billion as of 31 December 2009 from CZK 8.8 billion as of year end 2008.

Return on equity (ROE) and the cost/income ratio reached better-than-average levels of 32% and 30%, respectively.

The Bank provides financial, investing, and consulting services to selected clients, offering them an individualised approach tailored to their business. This approach is designed to meet the client's needs while maintaining maximum effectiveness of the Bank's services.

In view of its strategy, PPF banka focuses primarily on corporate, project, and acquisition financing and the provision of investment services. In the investment banking field, it specialises in securities trading in most markets of Europe, the USA, Russia, and certain Asian countries, primarily for professional investors. PPF banka's clients include mainly financial institutions, medium and large corporations with Czech capital, and municipal entities. PPF banka acts as the central treasury bank of PPF Group. For companies within PPF Group, it conducts international payment transactions as well as providing hedging and other investment services such as arranging for financing in the capital markets. In addition to companies from Home Credit Group, the Bank began to more actively serve companies related to PPF Group and Generali PPF, the new insurance group.

PPF banka is a Member of:

- Czech Banking Association
- Czech Institute of Internal Auditors
- Union of Banks and Insurance Companies
- Prague Economic Chamber
- Prague Stock Exchange*

* The Bank was both a member and a shareholder of the Prague Stock Exchange from 2004 to 8 December 2008.

PPF banka Shareholder Structure:

- PPF Group N.V. 92.96%
- City of Prague 6.73%
- Others 0.31%

Unconsolidated Financial Statements According to Czech Accounting Standards (CAS)

EUR thousands	2009[1]	2008
Cash in hand and balances with central banks	23,770	232,382
Receivables from banks	786,339	750,786
Receivables from clients	512,712	328,870
Securities	251,850	291,484
Other assets	59,282	60,094
Total assets	**1,633,953**	**1,663,617**
Payables to banks	2,544	14,273
Payables to clients	1,116,663	1,300,380
Payables from debt securities	281,358	128,866
Registered capital	29,048	28,614
Other equity components	103,631	70,883
Other liabilities	100,709	120,602
Total liabilities and equity	**1,633,953**	**1,663,617**
Net interest income	39,437	44,284
Net fee and commission income	5,420	(1,992)
Income from shares and participation interests	15	979
Gain/(loss) from financial operations	20,100	5,564
Administrative expenses	(16,129)	(15,232)
Depreciation	(1,022)	(2,209)
Write-offs and write-downs of receivables	(7,952)	(8,430)
Net other operating income	(685)	(61)
Income tax	(8,498)	(1,123)
Net profit/(loss) for the accounting period	**30,686**	**21,780**
Basic ratios		
Classified client loans/Total client loans	10.28%	7.42%
Capital adequacy[2]	10.14%	10.74%
ROAA[2]	1.72%	1.71%
ROAE[2]	32.36%	26.51%
Assets per employee[2]	13,177	14,722
Administrative expenses per employee[2]	130	135
Net profit per employee[2]	247	193

[1] The following exchange rates were used at the reporting dates:

	31 December 2009	31 December 2008
CZK/EUR	0.037774	0.037209
Average exchange rate for the year, CZK/EUR	0.037829	0.040086

[2] According to Czech National Bank methodology.

People of PPF


PPF
Martina
Nováková

MEL CARVILL

Member of the PPF Top Executive Team

PPF Partners

PPF Group's share in management company	72.5%

PPF Partners is an international private equity group focused on the transitional economies of Emerging Europe and the CIS region. PPF Partners was established in late 2008 by PPF Group in cooperation with Assicurazioni Generali.

PPF Partners aims to achieve assets under management worth EUR 5 billion within five years and become the leading private equity firm in the region.

PPF Group's two decades of experience in Central & Eastern Europe give to the joint venture a clear advantage in identifying companies with high growth potential throughout the region it considers its home market. The two founders, PPF Group and Generali, co-invest in deals, sharing the benefits and risks with third-party investors. The partners' economic share in individual funds may differ.

The first private equity fund, PPF Partners 1 LP, with EUR 615 million in commitments from PPF Group, PPF shareholders, and Assicurazioni Generali, has been launched (see table at right). As of year end 2008, the Fund has initiated contracts, under which it invested part of its commitments in an initial portfolio that includes stakes in waste-to-energy, fuel distribution, hotels, and media businesses in the Czech Republic, Romania, and Ukraine. All the new acquisitions were completed in 2009.

PPF Partners 1 LP – Fund Overview

Closing date	3 December 2008
Vintage year	2008
Total commitment	EUR 615 million
Term	5 + 5 years
Investment period	5 years, i.e. end of December 2013
Fund's domicile	United Kingdom
Legal form	Limited partnership
Structure	One General Partner and three Limited Partners. Management Company: PPF Partners Limited
Investment focus by stage	Generalist fund:
	– Early stage
	– Development capital
	– Buyout investments
Investment focus by geography	CEE, CIS

Generali PPF Holding B.V.

PPF's share	49%
Premium revenue, gross	EUR 3.1 billion
Consolidated shareholders' equity	EUR 5.1 billion
Number of employees	over 15,000

Operations in: Czech Republic, Slovakia, Poland, Hungary, Romania, Slovenia, Bulgaria, Croatia, Serbia, Montenegro, Russia, Belarus, Ukraine, Kazakhstan.

Generali PPF Holding B.V. is an entity established by the Generali and PPF Groups as a holding company for the insurance operations of both groups in Central & Eastern Europe. The company commenced operations on 17 January 2008, after it obtained the necessary regulatory permits. Generali PPF Holding has operations in 14 countries of Central & Eastern Europe, EUR 14.8 billion total assets under management, and more than 10 million customers across the entire region.

In 2009, Generali PPF Holding entered the Montenegro market. In Russia and Romania, the Holding successfully expanded its operations into pension funds. In Russia, Generali PPF Life Insurance has become one of the market leaders in its segment and is now one of the country's top 20 insurers.

Generali PPF Holding B.V. is registered in the Netherlands and has established its principal organisational unit in Prague, Czech Republic, from which its operations are managed.

People of PPF


Martina
Valáskova
Radka
Helena
Tarková
Nikola
Renáta
Nechvílová
Radovan
Katarína
Withers Borodáč
Karel
Ondřej
Michal
Kynlička
Vera
Miroslav
Franišek
Srđa

JOSÉ GARZA

Member of the PPF Top Executive Team

Nomos-Bank

Consolidated Financial Highlights

EUR millions	2009	2008	Y-o-Y Change
PPF Group's share	29.9%	29.9%	–
Total equity	848	787	8%
Total assets	6,421	6,729	(5%)
Net profit/(loss)	97	66	47%
Number of employees	4,640	3,724	25%

Nomos-Bank continued to play a significant role in measures designed to prevent a systemic failure in the Russian banking industry. Thanks to its important position within the country's banking and financial system, Nomos-Bank has acquired three small and mid-sized banks through deals assisted by the Government and/or the Deposit Insurance Agency.

Nomos-Bank is one of the top privately owned Russian banks and the country's number-five bank in terms of assets. Its diversified business strategy includes corporate, investment and retail banking, both in the metropolitan regions of Moscow and St. Petersburg and in several Russian regions.

Nomos-Bank's Key Business Achievements in 2009:

A wide platform of diversified financial services is a solid foundation for the further business development of Nomos-Bank and enables it to focus on the Russian regions. The Bank continued to develop its client portfolio by serving more clients in the SME and retail segments.

Prudent risk management has given the Bank a sustainably high asset quality vis-a-vis existing and potential risks in the very turbulent Russian market. In order to assist the Bank in responding to growth opportunities in the quickly-changing competitive landscape, Nomos-Bank's shareholders, including PPF Group, have provided it with notable capital injections in addition to a ~USD 180 million (RUB 5 billion) subordinated loan extended by the Government of the Russian Federation through Vneshekonombank. Consistent shareholder support has enabled the Bank to increase its relative market position in the SME and retail segments, that used to be non-traditional for Nomos-Bank, by participating in "depositor rescue operations" assisted by Russia's governmental agencies.

Polymetal

USD millions	2009	2008	Y-o-Y Change
PPF Group's share*	19.6%	24.9%	–
Gold produced (Koz)	311.0	285	9%
Silver produced (Moz)	17.3	17.2	0.6%
Revenues	560.7	502.7	12%
Net income/(loss)	96.0	(15.7)	111.7
Number of employees	4,800	4,818	(0.4%)

* Legally, PPF Group holds a 19.58% share in issued capital. However as Polymetal holds part of its shares in the form of treasury shares, economically, the effective share of PPF Group is 21.9%.

Polymetal is a leading Russian gold and silver mining company with a long-term portfolio of high-quality assets, listed at the London Stock Exchange since 2007. Polymetal is the number-one primary silver producer and number-four gold producer in Russia. The company's strategy is focused on three key areas: investment in existing assets to extend their mine life; investment in the development of centralised processing facilities; and exploration aimed at identifying a new generation of Polymetal assets. There is a clear shift from silver to gold in the company's operations, and gold now accounts for over 50% of the company's revenues and of its resources. All engineering and construction is performed in-house, which provides a key competitive advantage.

Following a certain recovery in financial markets and driven by increasing investor appetite for gold, Polymetal's share price performance at the LSE has overcome that of its peers, achieving a 42% increase over the period July 2008–May 2010. During 2009 the company completed four major acquisitions that have added new deposit sites to its portfolio (total amount of resources 13.8 Moz in gold equivalent), including the first foreign site, Varvarinskoye in Kazakhstan, which also contains copper ore resources. Polymetal is currently characterised by quality assets with strong cash flows from operations, robust growth in production, and sound corporate governance.

Polymetal Shareholders Structure

PPF Group N.V.	19.60%
Powerboom	18.90%
Vitalbond	15.00%
MBC Development	5.60%
JSC Polymetal subsidiaries	10.30%
Free float[1]	30.60%

[1] Including Deutsche Bank Trust Company Americas (organiser of the company's GDR offerings)

Polymetal Jorc-Compliant Ore Reserves by Mining Asset[1]

Mine	Tonnage (kt)	Au Grade (g/t)	Contained Au (t)	Contained Au (Moz)	Ag Grade (g/t)	Contained Ag (t)	Contained Ag (Moz)
Production assets							
Dukat	23,835	0.9	21	0.7	405	9,656	310
Lunnoye	3,764	1.3	5	0.2	406	1,529	49
Khakanja	3,661	5.4	20	0.6	245	898	29
Voro	19,154	2.8	53	1.7	3	62	2
Varvarinskoye[2]	36,400	1.1	41	1.3	–	–	–
Subtotal	**86,814**	**1.6**	**141**	**4.5**	**140**	**12,145**	**390**
Development projects							
Albazino[3]	17,375	4.1	71	2.3	–	–	–
Sopka Kvartsevaya[4]	1,400	12.0	17	0.5	260	360	12
Subtotal	**18,775**	**4.7**	**88**	**2.8**	**19**	**360**	**12**
Total	**105,589**	**2.2**	**229**	**7.3**	**118**	**12,505**	**402**

[1] Unless otherwise stated, ore reserves are quoted as at 1 January 2009 in accordance with the JORC Code, confirmed by SRK Consulting (UK) Ltd. Reserves are estimated on the basis of Measured and Indicated resources (not accounting for Inferred resources). Underlying price assumptions as audited by SRK Consulting (UK) Ltd. are $600/oz for gold and $11/oz for silver. Dukat reserves include Nachalnoye-2 satellite deposit, Lunnoye reserves include Arylakh satellite deposit, Khakanja reserves include Yurievskoye satellite deposit.

[2] Estimated by Orsu Metals Corporation as at 1 January 2009 in accordance with the JORC Code.

[3] Confirmed by Snowden Mining Industry Consultants Inc. in accordance with the JORC Code in July 2009.

[4] Estimated by AMC Consultants in accordance with the JORC Code in 2007.

PPF ECM Advisory

PPF ECM Advisory s.r.o. is a newly established provider of administration and management services for development projects in the Czech Republic and abroad. PPF ECM Advisory manages almost EUR 1.2 billion in assets, and the total area of the projects under management and administration is 1,250,000 square meters, which is equivalent to 30 Wenceslas Squares.

PPF ECM Advisory provides professional project management and administration services on 77 development projects in the Czech Republic, Russia, and China.

PPF ECM Advisory s.r.o. provides a range of specific contracted services for its clients and is a crucial partner for various development activities. This includes providing services and advice in areas such as project management, asset management, acquisitions, financing, feasibility studies, sale and leasing, marketing, and exit management.

PPF ECM Advisory s.r.o. is also responsible for the management of projects for ECM REAL ESTATE INVESTMENTS A.G. (ECM REI), following a decision of ECM REI's Board of Directors and based on the result of the company's General Meeting. In this capacity, the company is currently participating in the development of a number of ECM REI's projects, such as a majority of the buildings in the City Pankrác complex, the Terasy Unhošť and Kaskáda Zlín projects, and others.

PPF Real Estate – PPF ECM Advisory

PPF Group's share in PPF ECM Advisory s.r.o.	100%
Total equity	CZK 2,911,000
Total assets	CZK 105,542,000
Net profit/(loss)	CZK 1,011,000
Number of employees	54

Major Real Estate Assets/ Challenges in the Past Year:

- The portfolio, consisting of 23 administrative buildings in the Czech Republic, generated stable rental income and its market valuation increased by 25% year-on-year.
- The remaining final fit-outs and common premises in PPF GATE, a modern office building in Prague, Czech Republic, were completed in 2009 and the building is currently 100% occupied.
- An architectural competition was successfully initiated for a mixed-use development project in Prague, Czech Republic.
- Preparations for an urban study for a specific part of Prague, Czech Republic, went forward with a vision of potential future development of the area and redevelopment of existing real estate.
- Tender documentation was prepared for a 20,000 m² office development in Prague, Czech Republic.
- Three blocks of a 110,000 m² logistics development located in Tomilino, in close proximity to Moscow, Russia, were completed in 2009.
- A residential development in Nizhny Novgorod, Russia, was successfully completed in 2009 and sales of units to private individuals are in progress.
- Part of an agricultural land bank in Romania was successfully disposed of in late 2009.
- A zoning permit was obtained for an office development in Bucharest, Romania.
- A logistics complex in Ukraine was completely finished and put into operation in 2009.

Segmentation by Type of Premises

as at 31 December 2009
(according to NAV – internal valaution)

Office	44%
Industrial	4
Residential	14%
Mixed-use	6%
Hotel	5%
Land Acquisition	26%

Segmentation by Project Status

as at 31 December 2009
(according to NAV – internal valaution)

Operating	36%
Dev Preparation	18%
Development	6%
Land Bank	39%

Geographical Segmentation

as at 31 December 2009
(according to NAV – internal valaution)

Czech Republic	56%
Slovakia	4%
Romania	6%
Russia	23%
Ukraine	0%
Other	11%

MARTIN ŠTEFUNKO

Member of the PPF Top Executive Team

Energy and Industrial Holding

PPF Group's economic share	20%
Total revenue since incorporation in 2009	EUR 272.9 million
Assets	EUR 1.1 billion
Number of employees	4,000

Energy and Industrial Holding (Energetický a průmyslový holding – EPH) is a vertically integrated structure comprised of a wide portfolio of companies encompassing coal mining, power and heat generation, electricity distribution and trading as well as electricity supply to end customers. EPH is also an important investor in selected industry assets, focusing on the energy area among others. EPH is the number-two company in the Czech Republic's energy sector, and one of the country's ten largest industrial structures.

EPH's power plants in the Czech Republic have an aggregate total installed capacity of 692 MWe, while installed capacity in renewable energy totals 7.1 MWe with several additional projects in the pipeline. Further development in the energy sector is based primarily on leveraging acquisition opportunities in the markets of the Czech Republic and nearby countries such as Poland and Germany. EPH is also set to develop its own brown- and green-field projects in order to exploit new energy sources.

EPH has created a complete vertical value chain in the energy sector, starting from coal mining, through power and heat production, to distribution and trading, supported by energy engineering and manufacturing.

Eldorado

RUB millions	2009
PPF Group's share	50% + 1 share
Total revenues	75,682.5
Gross profit	18,341.5
Gross profit margin	24.3%

Eldorado is one of Russia's leading consumer electronic and domestic appliances retailers with 16 years of successful business in Russia and some CIS countries. Eldorado is also one of the top five consumer electronic retailers by revenue in Europe, with total revenue exceeding RUB 75 billion in 2009. Eldorado is the clear industry leader with more than 23% market share*, the largest geographical coverage (650 stores in 466 cities, including franchisees), and an extensive offer of goods by major world producers and their valuable brands. In some categories Eldorado's market share is even bigger: one in every three TVs, vacuum cleaners, microwave ovens, and DVD players in Russia is sold in Eldorado.

Following a transaction with the founder of Eldorado, Igor Yakovlev (a debt-for-equity swap in favour of PPF Group), PPF became the retailer's majority shareholder with 50% + 1 share. With the new shareholder a turnaround programme has been completed, which stabilised Eldorado's liquidity, profitability, business processes, and human capital. The company has undertaken a restructuring of its store network and portfolio, closing non-format and unprofitable stores, while expanding in quality locations. Cost control and execution excellence were implemented strictly throughout the company, thus improving its financial performance with EBITDA gradually moving into positive territory. As a result of close co-operation with financial institutions and suppliers, Eldorado also managed in 2009 to refinance its credit portfolio into roubles with extended maturity. Concurrently, the business worked with suppliers to bring about a substantial, 15-day improvement in its cash conversion cycle.

* Whole-year figure

PPF Group History

2009

- PPF and J&T sign an agreement establishing a joint-venture company in the energy and industry sectors.
- PPF and Russian businessman Igor Yakovlev agree on a debt-for-equity swap which enables PPF Group to acquire a majority stake in Russia's largest home appliances and electronics retail network, Eldorado.
- PPF launches consumer finance operations in Vietnam.

2008

- Upon obtaining necessary regulatory permits, Generali PPF Holding commences insurance business activities in Central & Eastern Europe and the CIS.
- PPF Group becomes an important shareholder in Russia-based Polymetal, a leader in the Russian silver- and gold-mining industry.
- PPF Group, acting through Home Credit & Finance Bank, provides loan to Eldorado, a Russian retail network with which it has done business before.
- As one of the first in the region to do so, PPF Group responds in a timely and pro-active fashion to the emerging financial and economic crisis, taking a number of measures to adapt the business and increase its effectiveness.

2007

- PPF Group N.V. signs agreement with Assicurazioni Generali S.p.A. on forming Generali PPF Holding B.V. to provide insurance services in Central & Eastern Europe and the CIS.
- PPF Group N.V. enters into partnership with Nomos-Bank, an important bank in the Russian Federation.
- Home Credit Group commences consumer financing activities in China and Belarus.

2006

- Agrobank (currently CJSC Home Credit Bank) acquired as basis for the Group's activities in Ukraine.
- eBanka sold to Raiffeisen Group.

2005

- Home Credit creates a platform enabling it to commence consumer finance activities in Kazakhstan.
- PPF Group opens a representative office in Vietnam to evaluate local consumer finance market opportunities.
- ČP Leasing sold to Agricole Group – Sofinco.

2004

- Following a successful restructuring, PPF Group sells its majority share in TV NOVA to CME.
- PPF Group opens a representative office in Beijing to evaluate local consumer finance market opportunities.

2002

- PPF Group commences activities in Russia – in insurance and consumer finance.

2001

- Acquisition and successful restructuring of PPF banka (part-owned by the City of Prague).

1999

- Acquisition of Expandia Banka a.s. (later eBanka), pioneer of electronic banking in the Czech Republic.
- Regional expansion of Home Credit commenced.

1997

- Home Credit founded as platform for consumer finance activities.

1996

- PPF Group acquires Česká pojišťovna, the largest insurer in the Czech Republic, and commences its restructuring.

1991

- PPF founded as a privatisation fund – collective investment activities commenced as part of the voucher privatisation programme, assets under management valued at USD 225 million.

Unless otherwise indicated, all information is as of 31 May 2010.

PPF Group Philanthropy

PPF Group aims to be a long-term partner to exceptional arts and charity projects, based on recognised standards of corporate social responsibility. PPF Group has had a tradition of supporting culture and the arts for a number of years; we do not, however, wish to be a passive partner. Instead, we actively seek out projects and offer our ideas on how to continually develop them.

PPF Group: an Active Partner to Top-ranked Cultural Events in the Czech Republic

The connection with culture has deep roots in PPF Group's tradition, its position, and the history of its activities in the Czech Republic. Especially strong is our support of theatre, visual arts, and photography, with Group investments running into the tens of millions of Czech Korunas each year. Yet our support is not limited to money alone; we always act with initiative as a partner for the long run, developing projects and firmly establishing them as traditional contributions to the local arts scene.

Summer Shakespeare Festival

PPF Group has been General Partner of the Summer Shakespeare Festival for 11 years running. This traditional summer drama open-air festival has a firm place in the cultural offering and is well-known to lovers of high-quality theatre both in the Czech Republic and Slovakia.

Josef Sudek Studio

PPF Group's philanthropy effort often has it coming forward with its own proposals for enriching the Czech arts scene. One such project began in 2000 with the renewal of late Czech photographer Josef Sudek's studio in Prague's Ujezd street. PPF Group became not only the organiser in charge of restoring the studio to its original form, but also the developer for its renovation and, subsequently, its operator. Thanks to PPF Group, the crumbling studio of the most famous Czech photographer has been transformed into a major gallery with its own special place in the Prague arts scene. The care dedicated to the Josef Sudek studio has a firm link to PPF Group's art collecting activity.

Jára Cimrman Theatre

The mystifying poetry of the Jára Cimrman Theatre is a unique feature of Czech drama. Thanks to support from PPF Group, the Žižkov Theatre in Prague has hosted premiere performances of several new plays by this ground-breaking troupe.

Helping Children

PIPAN

We have been supporting the PIPAN bilingual pre-school for the hearing impaired since 1998. The school uses both sign language and spoken/written Czech. The aim is to give small children with severe hearing defects a chance for spontaneous psychological development using both languages. PPF Group provides financial assistance for basic construction, school equipment, and field trips.

Investing in Education

Open Gate Boarding School

As part of its activities focused on the development of education, the PPF Group supports the Educa Foundation and its major project, the Open Gate Boarding School.

Open Gate Boarding School in the village of Babice u Prahy was opened five years ago as the first of its kind in the Czech Republic. Thanks to sponsorship contributions from the Educa Foundation of Renáta and Petr Kellner, the school is open to talented students from varying backgrounds, including socially disadvantaged families. The Foundation provides up to 100% scholarships to talented children from orphanages, foster families, or socially disadvantaged families. Its budget covers all educational equipment, including room & board, extrecurricular activities, school uniforms, etc. Scholarships are awarded based on successful completion of the entrance examination and enrolment in the school. Both the school and the Foundation also recruit potential students from orphanages across the Czech Republic.

In early 2009, Open Gate became the first purely Czech secondary school to become certified to teach according to the International Baccalaureate (IB) system. IB is the "gold standard" of world secondary education – with an IB diploma, students from the Czech Republic will be welcomed at all international universities. The first Open Gate students to take the IB exams in six subjects, including an essay and a research thesis, will do so in 2011. Of course, they will be able to choose between the IB Diploma and the Czech school-leaving exams.

Also in 2009, the first 21 Open Gate graduates took the school-leaving exams. All were accepted by various universities. More than half of them successfully applied at top international universities. Educa Foundation also decided to provide scholarships to qualifying Open Gate graduates during their futher studies abroad. The Foundation already has some experience supporting Czech socially disadvantaged students at universities in the United Kingdom and the USA, and plans to continue to develop co-operation with the world's leading institutions of higher education.

Financial Section

Auditor's report

Introduction

We have audited whether the accompanying abbreviated financial statements of PPF Group N.V., Amsterdam, for the year 2009 (as set out on pages 86 to 155) have been derived consistently from the audited financial statements of PPF Group N.V., for the year 2009. In our auditors' report dated 26 May 2010 we expressed an unqualified opinion on these financial statements. Management is responsible for the preparation of the abbreviated financial statements in accordance with the accounting policies as applied in the 2009 financial statements of PPF Group N.V. Our responsibility is to express an opinion on these abbreviated financial statements.

Scope

We conducted our audit in accordance with Dutch law. This law requires that we plan and perform the audit to obtain reasonable assurance that the abbreviated financial statements have been derived consistently from the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these abbreviated financial statements have been derived consistently, in all material respects, from the financial statements.

Emphasis of Matter

For a better understanding of the company's financial position and results and the scope of our audit, we emphasize that the abbreviated financial statements should be read in conjunction with the unabridged financial statements, from which the abbreviated financial statements were derived and our unqualified auditors' report thereon dated 26 May 2010. Our opinion is not qualified in respect of this matter.

Amstelveen, 28 June 2010

KPMG Accountants N.V.

M. F. Frikkee

Consolidated Financial Statements

for the Year Ended 31 December 2009

Consolidated Statement of Financial Position

In millions of EUR, as at 31 December	Note	2009	2008
ASSETS			
Cash and cash equivalents	F.1.	406	852
Financial assets at fair value through profit or loss	F.2.1.	250	605
Financial assets available-for-sale	F.2.2.	506	164
Loans and receivables due from banks and other financial institutions	F.2.3.	1,033	758
Loans and receivables due from non-banks	F.2.4.	2,261	2,850
Other loans and receivables	F.2.6.	803	953
Current income tax receivable		23	26
Deferred tax assets	F.3.	37	22
Other assets	F.4.	432	281
Inventories	F.5.	325	2
Non-current assets held for sale	A.5.3.	–	364
Investments in associates	F.6.	3,628	3,257
Investment property	F.7.	342	253
Property, plant and equipment	F.8.	312	279
Intangible assets	F.9.	444	64
TOTAL ASSETS		**10,802**	**10,730**
LIABILITIES			
Due to non-banks	F.10.	1,559	1,456
Due to banks and other financial institutions	F.11.	2,718	3,193
Debt securities issued	F.12.	1,518	1,783
Financial liabilities at fair value through profit or loss	F.13.	173	93
Liabilities held for sale	A.5.3.	–	267
Current income tax liability		8	5
Deferred tax liabilities	F.3.	40	17
Provisions	F.14.	24	2
Other liabilities	F.15.	807	192
TOTAL LIABILITIES		**6,847**	**7,008**
CONSOLIDATED EQUITY			
Issued capital	F.17.	1	1
Share premium		677	677
Other reserves		(243)	(261)
Retained earnings		3,565	3,286
Total equity attributable to equity holders of the Parent Company		4,000	3,703
Non-controlling interest		(45)	19
Total consolidated equity		**3,955**	**3,722**
TOTAL LIABILITIES AND EQUITY		**10,802**	**10,730**

Consolidated Income Statement

In millions of EUR, for the year ended 31 December	Note	2009	2008
Interest income		995	1,135
Interest expense		(360)	(302)
Net interest income	**F.19.**	**635**	**833**
Fee and commission income		214	232
Fee and commission expense		(49)	(75)
Net fee and commission income	**F.20.**	**165**	**157**
Net gain/(loss) on financial assets	F.21.	(123)	151
Net impairment losses on financial assets	F.22.	(353)	(321)
Net expense related to credit risk insurance	F.23.	(18)	(19)
Other banking result		**(494)**	**(189)**
NET BANKING INCOME		**306**	**801**
Rental and related income		19	–
Property operating expenses		(5)	–
Net valuation gain/loss on investment property		(20)	–
Profit on disposal of investment property		1	–
NET REAL ESTATE INCOME	**F.24.**	**(5)**	**–**
Sales of goods		526	14
Cost of goods sold		(425)	(13)
NET INCOME ON RETAIL OPERATIONS		**101**	**1**
Other income		205	6
OTHER OPERATING INCOME	**F.25.**	**205**	**6**
General administrative expenses	F.26.	(501)	(569)
Other operating expenses	F.27.	(116)	(280)
OPERATING EXPENSE		**(617)**	**(849)**
Net gain/loss from sale of investments in subsidiaries		(3)	–
Share of earnings of associates		338	(105)
PROFIT/(LOSS) BEFORE TAX		**325**	**(146)**
Income tax expense	F.28.	(54)	(59)
NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS		**271**	**(205)**
Profit from discontinued operations	A.5.4.	–	2,696
NET PROFIT FOR THE PERIOD		**271**	**2,491**
Net profit attributable to non-controlling interest		(18)	2
NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT		**289**	**2,489**
Weighted average number of shares	F.17.	66,738	66,738
Basic and Diluted earnings per share for profit for the period (EUR)	F.33.	4,330	37,295
Basic and Diluted earnings per share for profit from continuing operations (EUR)	F.33.	4,330	(3,102)

Consolidated Statement of Comprehensive Income

In millions of EUR, for the year ended 31 December	2009	2008
NET PROFIT FOR THE PERIOD	**271**	**2,491**
Other comprehensive income		
Currency translation differences	(47)	(122)
Fair value gains on available-for-sale financial assets	2	(5)
Share of other comprehensive income of associates	54	(85)
Effect on acquisition of subsidiaries	(46)	11
Income tax relating to components of other comprehensive income	(1)	–
Other comprehensive income for the period (net of tax)	**(38)**	**(201)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**233**	**2,290**
Total comprehensive income attributable to non-controlling interest	(64)	13
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT	**297**	**2,277**

The consolidated financial statements were approved by the Board of Directors of the Company on 26 May 2010.

Consolidated Statement of Cash Flows

In millions of EUR, for the year ended 31 December, prepared using the indirect method	2009	2008
Cash flows from operating activities		
Profit before tax	325	2,550
Adjustments for:		
Depreciation and amortisation	48	41
Amortisation of PVFP and impairment losses on goodwill and PVFP	38	44
Impairment and reversal of impairment of current and non-current assets	345	289
Profit/loss on disposal of PPE, intangible assets and investment property	3	2
Profit/loss on sale of financial assets	89	(343)
Consolidated gains/losses on disposal of consolidated subsidiaries and associates	(45)	(2,697)
Interest expense	360	302
Interest income	(995)	(1,132)
Other income/expenses not involving movements of cash	(234)	(9)
Purchase of financial assets at fair value through profit or loss	(118)	(201)
Proceeds from financial assets at fair value through profit or loss trading	364	76
Change in loans and receivables due from banks and other financial institution	(274)	(328)
Change in loans and receivables due from non-banks	708	(1,082)
Change in other assets	(345)	(163)
Change in financial liabilities at fair value through profit or loss	80	44
Change in liabilities due to non-banks	(36)	682
Change in other liabilities	107	25
Cash flows arising from taxes on income	(29)	(93)
Change in assets and liabilities held for sale	97	(708)
Net cash from operating activities	**488**	**(2,701)**
Cash flows from investing activities		
Interest received	989	887
Dividends received	123	–
Purchase of tangible assets and intangible assets	(85)	(136)
Purchase of financial assets at fair value through profit or loss not held for trading	(327)	(69)
Purchase of financial assets available for sale	(991)	(150)
Purchase of investment property	(131)	–
Acquisition of subsidiaries and associates, net of cash acquired	(270)	(592)
Proceeds from disposals of PPE and intangible assets	31	49
Proceeds from sale of financial assets at fair value through profit or loss not held for trading	348	–
Proceeds from sale of financial assets available for sale	683	33
Proceeds from disposal of subsidiaries and associates, net of cash disposed	–	1,100
Net cash from investing activities	**370**	**1,122**
Cash flows from financing activities		
Proceeds from the issue of debt securities	1,668	1,448
Proceeds from loans by banks and other financial institution	2,322	7,710
Payment of debt securities	(1,904)	(1,119)
Repayment of loans from banks and other financial institution	(2,967)	(5,787)
Interest paid	(403)	(284)
Cash flow from financing activities	**(1,284)**	**1,968**
Net increase (decrease) in cash and cash equivalents	**(426)**	**389**
Cash and cash equivalents as at 1 January	**852**	**499**
Effect of exchange rate changes on cash and cash equivalents	(20)	(36)
Cash and cash equivalents as at 31 December	**406**	**852**

Consolidated Statement of Changes in Equity

In millions of EUR, for the year ended 31 December	Issued capital	Share premium	Available for sale reserve	Legal and statutory reserves
Balance at 1 January 2009	**1**	**677**	**(33)**	**8**
Net allocation to legal and statutory reserves (other than from Net profit)	–	–	–	1
Total	**1**	**677**	**(33)**	**9**
Currency translation	–	–	–	–
Valuation gains (losses) taken to equity for AFS	–	–	(2)	–
AFS revaluation gains transferred to income statement	–	–	4	–
Tax on items taken directly to or transferred from equity	–	–	(1)	–
Effect on acquisition of subsidiaries	–	–	–	–
Changes on equity in associates	–	–	51	–
Profit for the period	–	–	–	–
Total comprehensive income for the period	**–**	**–**	**52**	**–**
Total changes	**–**	**–**	**52**	**1**
Balance at 31 December 2009	**1**	**677**	**19**	**9**

In millions of EUR, for the year ended 31 December	Issued capital	Share premium	Available for sale reserve	Legal and statutory reserves
Balance at 1 January 2008	**1**	**677**	**(25)**	**28**
Net allocation to legal and statutory reserves (other than from Net profit)	–	–	–	1
Total	**1**	**677**	**(25)**	**29**
Currency translation	–	–	–	–
Valuation gains (losses) taken to equity for AFS	–	–	(5)	–
Effect on acquisition of subsidiaries	–	–	25	(21)
Changes on equity in associates	–	–	(28)	–
Profit for the period	–	–	–	–
Total comprehensive income for the period	**–**	**–**	**(8)**	**(21)**
Total changes	**1**	**–**	**(8)**	**(20)**
Balance at 31 December 2008	**1**	**677**	**(33)**	**8**

Translation reserve	Retained earnings	Attributable to equity holders of Parent Company	Attributable to non-controlling interest	Total
(236)	**3,286**	**3,703**	**19**	**3,722**
–	(1)	–	–	
(236)	**3,285**	**3,703**	**19**	**3,722**
(47)	–	(47)	–	(47)
–	–	(2)	–	(2)
–	–	4	–	4
–	–	(1)	–	(1)
–	–	–	(46)	(46)
12	(9)	54	–	54
–	289	289	(18)	271
(35)	**280**	**297**	**(64)**	**233**
(35)	**279**	**297**	**(64)**	**233**
(271)	**3,565**	**4,000**	**(45)**	**3,955**

Translation reserve	Catastrophe and equalisation reserves	Retained earnings	Attributable to equity holders of Parent Company	Attributable to non-controlling interest	Total
(74)	**30**	**789**	**1,426**	**6**	**1,432**
–	–	(1)	–	–	–
(74)	**30**	**788**	**1,426**	**6**	**1,432**
(122)	–	–	(122)	–	(122)
–	–	–	(5)	–	(5)
17	(30)	9	–	11	11
(57)	–	–	(85)	–	(85)
–	–	2,489	2,489	2	2,491
(162)	**(30)**	**2,498**	**2,277**	**13**	**2,290**
(162)	**(30)**	**2,497**	**2,277**	**13**	**2,290**
(236)	**–**	**3,286**	**3,703**	**19**	**3,722**

Notes to the Consolidated Financial Statements

A. General

A.1. Description of the Group

PPF Group N.V. ("the Parent Company") is a company domiciled in the Netherlands. The consolidated financial statements of the Parent Company for the year ended 31 December 2009 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 C. of these financial statements for a listing of significant Group enterprises and changes to the Group in 2009 and 2008.

Structure of Ultimate Shareholders:

As at 31 December 2009, the shareholder structure was as follows:
Petr Kellner 94.36% (directly and indirectly)
Jiří Šmejc 5% (indirectly)
Ladislav Bartoníček 0.64% (indirectly)

Registered Office:

Strawinskylaan 933 Tower B Level 9
1077XX Amsterdam

The Directors authorised the financial statements for issue on 26 May 2010.

A.2. Statutory bodies of the Parent Company

The Board of Directors:

Aleš Minx, Chairman of the Board of Directors – Prague, Czech Republic
Wilhelmus Jacobus Meyberg, Director – Naarden, Netherlands
Rudolf Bosveld, Director – Velp, Netherlands

A.3. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations as adopted by the International Accounting Standards Board (IASB) and the European Union (EU) in accordance with the IAS Regulation (EC 1606/2002).

The management has reviewed those standards and interpretations adopted by the EU at the date of issue of the financial statements which were not effective at that date. An assessment of the expected impact of these standards and interpretations on the Company is shown in note D.5.

A.4. Basis of preparation

The Dutch accounting legislation enables the Group to prepare these consolidated financial statements in accordance with IFRS (as adopted by EU – refer to A.3.).

The financial statements are presented in Euros (EUR), 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 and loss, financial instruments classified as available-for-sale and investment property. Financial assets and liabilities and non-financial assets and liabilities which are valued at historical cost are stated at amortised cost or historic 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 and 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in both the period of the revision and future periods if the revision affects both the current and future periods.

Judgments made by management in the application of IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next period are discussed in note F.35.

A.5. Assets and liabilities held for sale and discontinued operations

A.5.1. Acquisition of CPRe

On 15 December 2008 the Group acquired a 100% share in CP Reinsurance Company Ltd. (CPRe), the Cypriot reinsurance company previously transferred to Generali PPF Holding B.V. as a part of the Generali transaction. Due to intention to dispose CPRe, all assets and liabilities were presented as held for sale.

On 1 January 2009 CP Reinsurance Company Ltd. terminated all reinsurance contracts with members of Generali PPF Holding B.V. Group. The termination was initiated by these companies. In the first quarter of 2009 CP Reinsurance Company Ltd. worked on smooth settlement of the terminations.

In 2009 the company was reclassified and fully consolidated as it does not meet the definition of a held-for-sale entity anymore.

A.5.2. Generali transaction

On 17 January 2008 PPF Group and Assicurazioni Generali ("Generali") finalized a transaction resulting in the creation of new insurance holding company Generali PPF Holding B.V., into which both groups contributed their insurance activities.

The whole transaction was from the Parent Company's point of view regarded as sale of a 100% ownership interest in CZIH Group and the acquisition of a 49% ownership interest in Generali PPF Holding B.V. After this transaction PPF Group no longer controls any insurance company and Generali PPF Holding B.V. started to be accounted for using the equity method.

Profit from discontinued operations of MEUR 2,697 in 2008 represents profit from the Generali transaction occurred on 17 January 2008.

A.5.3. Financial details

In 2008 assets and liabilities held for sale comprise all assets and liabilities of CPRe, broken down as follows:

In millions of EUR, as at 31 December	2008
Cash and cash equivalents	85
Financial assets at fair value through profit or loss	253
Reinsurance assets	26
Total assets held for sale	**364**
Insurance liabilities	259
Other liabilities	8
Total liabilities held for sale	**267**

A.5.4. Discontinued operations

In 2008 discontinued operations comprise the financial performance of CPRe and profit from the disposal of CZIH Group related to the Generali transaction.

In millions of EUR, for the twelve months ended 31 December	2008
Net insurance premium revenue	37
Interest and similar income	2
Other income	2
Total revenue	**41**
Net insurance claims and benefits	(14)
Other expenses from financial assets	(2)
Other operating expenses	(10)
Other expenses	(14)
Total expenses	**(40)**
Profit from discontinued operations	1
Income tax expense	(2)
Profit after tax	(1)
Net profit for the period	**(1)**
Profit from disposal of CZIH Group	2,697
Net profit attributable to equity holders	**2,696**

Cash flows from discontinued operations were as follows:

In millions of EUR, for the twelve months ended 31 December	2008
Cash flows from operating activities	(29)
Cash flows from investing activities	19
Cash flows from financing activities	(53)
Net cash inflow/outflow from discontinued operations	**(63)**

B. Segment Reporting

In accordance with IFRS 8 the Group recognizes reportable segments that are defined in both geographical and sector terms. The Chief Operating Decision Maker is the Board of Directors and the shareholders. Information is provided to the CODM for the Home Credit Group 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 are reported and reviewed separately. The associate Nomos-Bank is considered part of banking operations and included in the "other banking" segment (see next paragraph).

Home Credit consumer finance business is divided into segments based on geographical regions corresponding to the geographical location of customers.

The insurance business in 2009 and 2008 reflects the Group's share in Generali PPF Holding B.V., which operates in the CEE region.

The real estate segment covers investment property projects mainly in the CEE region.

The retail business represents Eldorado, the Russia's largest electronics and domestic appliances retailer, acquired in 2009.

The other banking segment comprises the operations of PPF Banka a.s., PPF B1 B.V., PPF B2 B.V. and Nomos-Bank.

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, fees and commission income, rental income and income from sales of goods.

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

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

The following table shows the main items from the financial statements broken down according to reportable segments for 2009 and 2008.

In millions of EUR, 2009	Czech Republic	Slovak Republic	Russian Federation	East Euro/ Asian countries	China & Vietnam	**Subtotal Home Credit**	Insurance	Real estate	Other banking	Other	Retail	Eliminations	**Consolidated 2009**
Revenue from external customers	82	50	829	46	13	1,020	–	23	110	72	529	–	1,754
Inter-segment revenue	2	–	4	2	1	9	–	6	16	122	1	(154)	–
Total revenue from continuing operations	**84**	**50**	**833**	**48**	**14**	**1,029**	**–**	**29**	**126**	**194**	**530**	**(154)**	**1,754**
Segment share of earnings of associates	–	–	–	–	–	–	183	(14)	103	66	–	–	338
Segment result from continuing operations	**25**	**3**	**149**	**(55)**	**(29)**	**93**	**183**	**(31)**	**141**	**(56)**	**(5)**	**–**	**325**
Income tax expense													(54)
Net profit for the year													**271**
Capital expenditure	(11)	–	(22)	(3)	(3)	(39)	–	(6)	(3)	(3)	(5)	–	(56)
Depreciation and amortization	(13)	–	(17)	(3)	(4)	(37)	–	(3)	(1)	(2)	(6)	–	(49)
Other significant non-cash expenses	(29)	(23)	(201)	(62)	(3)	(318)	–	(4)	(29)	(63)	1	(2)	(415)
Segment assets	190	165	2,224	168	130	2,877	–	877	2,022	5,378	1,209	(5,249)	7,114
Investments in associates	–	–	–	–	–	–	2,511	4	457	656	–	–	3,628
Unallocated assets													60
Total assets													**10,802**
Segment liabilities	78	156	1,614	117	65	2,030	–	596	1,884	6,651	892	(5,253)	6,800
Unallocated liabilities													47
Total liabilities													**6,847**
Segment equity	**112**	**9**	**610**	**51**	**65**	**847**	**2,511**	**285**	**595**	**(617)**	**317**	**4**	**3,955**

In millions of EUR, 2008	Czech Republic	Slovak Republic	Russian Federation	East Euro/ Asian countries	China	**Subtotal Home Credit**	Insurance	Real estate	Other banking	Other	Eliminations	**Consolidated 2008**
Revenue from external customers	137	52	981	95	6	1,271	–	–	59	51	–	1,381
Inter-segment revenue	2	–	–	5	4	11	–	–	18	167	(196)	–
Total revenue from continuing operations	**139**	**52**	**981**	**100**	**10**	**1,282**	**–**	**–**	**77**	**218**	**(196)**	**1,381**
Segment share of earnings of associates	–	–	–	–	–	–	(42)	–	(53)	(10)	–	(105)
Segment result from continuing operations	**19**	**–**	**142**	**(46)**	**(46)**	**69**	**(42)**	**(8)**	**(30)**	**(143)**	**8**	**(146)**
Income tax expense												(59)
Net profit from continuing operations												(205)
Segment result from discontinued operations	–	–	–	–	–	–	2,696	–	–	–	–	2,696
Net profit for the year												**2,491**
Capital expenditure	(11)	(1)	(55)	(7)	(2)	(77)	–	(49)	(1)	(5)	–	(131)
Depreciation and amortization	(6)	–	(22)	(4)	(3)	(35)	–	(2)	(2)	(2)	–	(41)
Other significant non-cash expenses	(10)	(15)	(239)	(47)	(14)	(325)	–	(4)	(8)	(40)	3	(374)
Segment assets	510	167	2,712	221	324	3,934	378	561	1,659	5,978	(5,085)	7,425
Investments in associates	–	–		–	–	–	2,394	3	398	462	–	3,257
Unallocated assets												48
Total assets												**10,730**
Segment liabilities	429	158	2,249	184	85	3,105	267	508	1,564	6,630	(5,088)	6,986
Unallocated liabilities												22
Total liabilities												**7,008**
Segment equity	**82**	**9**	**463**	**36**	**239**	**829**	**2,504**	**56**	**566**	**(262)**	**3**	**3,722**

C. Consolidation

C.1. Basis of consolidation

Subsidiaries are those entities that are controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into consideration. The Group holds investments in certain mutual funds which are administered by a subsidiary controlled by the Group. Such funds are consolidated in the Group's financial statements when the Group holds more than an insignificant interest in the fund, regardless of the Group's percentage ownership. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates and jointly controlled entities on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds the carrying amount of the associate or jointly controlled entity, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate or jointly controlled entity.

Reorganisations and mergers involving companies under common control are accounted for using consolidated net book values, and consequently no adjustment is made to carrying amounts in the consolidated accounts and no goodwill arises on such transactions.

Derecognition of subsidiaries and associates follows the applicable contractual arrangements and statutory terms.

Intra-group balances and transactions, and any unrealised gains and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment in the associate or joint venture. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

C.2. Group entities

In 2008 and 2009 the Group significantly expanded through new acquisitions. The following list shows only significant holdings and operating entities that are subsidiaries or associates of the Parent Company as of 31 December 2009.

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%
HCA 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 and Finance Bank LLC	Russia	99.99%	99.99%
Home Credit Asia Ltd.	Hong Kong	100.00%	100.00%
Home Credit Bank	Ukraine	100.00%	100.00%
Home Credit Bank OAO	Belarus	100.00%	100.00%
Home Credit Business Management (Tianjin) Co., Ltd.	China	100.00%	100.00%
Home Credit International JSC	Czech Republic	100.00%	100.00%
Home Credit Kazakhstan JSC	Kazakhstan	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%
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			
PPF ECM Holding B.V. (former HC Fin2 B.V.)	Netherlands	100.00%	100.00%
PPF Property Ltd.	Jersey	100.00%	100.00%
Agriko LLC	Russia	65.00%	65.00%
Agriko Plus LLC	Russia	65.00%	65.00%
Bastion office center s. r. o.	Slovakia	24.50%	24.50%
Bucca Properties Ltd.	BVI	100.00%	100.00%
Celestial Holdings Group Ltd.	BVI	100.00%	100.00%
Circle Slovakia s. r. o.	Slovakia	24.50%	24.50%
Eastfield Kazan LLC	Russia	65.00%	65.00%
Feliston Enterprises Ltd.	Cyprus	50.00%	50.00%
Gilbey Ltd.	Cyprus	40.00%	40.00%
Glancus Investments Inc.	BVI	100.00%	100.00%
In Vino LLC	Russia	64.94%	64.94%
In Vino Anapa 2 LLC	Russia	64.94%	64.94%
In Vino Natukhaevskoe LLC	Russia	64.94%	64.94%
Intrust NN	Russia	33.33%	33.33%

Company	Domicile	Effective proportion of ownership interest	Effective proportion of voting interest
Investitslonny Trust ZAO	Russia	50.00%	50.00%
Kendalside Ltd.	United Kingdom	49.00%	49.00%
KLP LLC	Russia	45.50%	45.50%
Komodor LLC	Ukraine	40.00%	40.00%
Kvartal Togliatti LLC	Russia	100.00%	100.00%
Logistika Ural LLC	Russia	45.50%	45.50%
Office Star Eight spol. s r. o.	Czech Republic	100.00%	100.00%
Office Star Five spol. s r. o.	Czech Republic	100.00%	100.00%
Office Star Four spol. s r. o.	Czech Republic	100.00%	100.00%
Office Star Fourteen 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 One spol. s r. o.	Czech Republic	100.00%	100.00%
Office Star Seven spol. s r. o.	Czech Republic	100.00%	100.00%
Office Star Six spol. s r. o.	Czech Republic	100.00%	100.00%
Office Star Ten spol. s r. o.	Czech Republic	100.00%	100.00%
Office Star Thirteen spol. s r. o.	Czech Republic	100.00%	100.00%
Office Star Three spol. s r. o.	Czech Republic	100.00%	100.00%
Office Star Two spol. s r. o.	Czech Republic	100.00%	100.00%
Pacific Outlets Business	China	90.00%	90.00%
PPF Gate, a.s.	Czech Republic	100.00%	100.00%
Rural Capital S. R. L.	Romania	98.50%	98.50%
Rural Dobrogea S. R. L.	Romania	98.50%	98.50%
Rural Moldava S. R. L.	Romania	98.50%	98.50%
Rural Oltenia S. R. L.	Romania	98.50%	98.50%
Russkiy Val LLC	Russia	64.35%	64.35%
S. C. Bavaria Complex S. R. L.	Romania	50.39%	50.39%
S. C. Rural Capital Doi S. R. L.	Romania	98.50%	98.50%
S. C. Rural Capital Unu S. R. L.	Romania	98.50%	98.50%
Sigurno Ltd.	Cyprus	40.00%	40.00%
Slovak trade company s. r. o.	Slovakia	24.50%	24.50%
Stinctum Holdings Ltd.	Cyprus	33.33%	33.33%
Other significant subsidiaries			
Anthiarose Ltd.	Cyprus	100.00%	100.00%
Bonacova Ltd.	Cyprus	100.00%	100.00%
CP Reinsurance Company Ltd.	Cyprus	100.00%	100.00%
Dunmow Ltd.	BVI	100.00%	100.00%
Eldorado Licensing Ltd.	Cyprus	40.01%	50.01%
Eldorado LLC	Russia	40.01%	50.01%
Facipero Investments Ltd.	Cyprus	40.01%	50.01%
HC SE	Netherlands	100.00%	100.00%
Pearlmoon Ltd.	Cyprus	100.00%	100.00%
PPF a.s.	Czech Republic	100.00%	100.00%
PPF B1 B.V.	Netherlands	92.96%	92.96%
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 Media, a. s.	Czech Republic	100.00%	100.00%
PPF Partners 1 GP Ltd.	Guernsey	72.50%	72.50%
PPF Partners Ltd.	Guernsey	72.50%	72.50%
Russia Finance Corporation B.V.	Netherlands	100.00%	100.00%

Company	Domicile	Effective proportion of ownership interest	Effective proportion of voting interest
Other significant associates			
Polymetal, OJSC	Russia	21.92%	21.92%
Nomos-Bank, OJSC	Russia	29.92%	29.92%
Accord Invest Ltd.	Russia	40.00%	40.00%
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	100.00%	100.00%
Generali Pojišťovna 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%
Energetický a průmyslový holding a. s.	Czech Republic	20.00%	20.00%
Pražská energetika, a.s.**	Czech Republic	41.10%	41.10%
United Energy, a.s.**	Czech Republic	100.00%	100.00%
Plzeňská energetika a.s.**	Czech Republic	100.00%	100.00%
První energetická a.s.**	Czech Republic	100.00%	100.00%
SOR Libchavy spol. s r.o.**	Czech Republic	99.80%	99.80%
United Energy Trading, a.s.**	Czech Republic	100.00%	100.00%
EGEM, s.r.o.**	Czech Republic	88.00%	88.00%
MSEM, a.s.**	Czech Republic	88.00%	88.00%
Krahulík-MASOZÁVOD Krahulčí, a.s. **	Czech Republic	100.00%	100.00%
VČE - montáže, a.s.**	Czech Republic	88.00%	88.00%
KMOTR - Masna Kroměříž, a.s.**	Czech Republic	100.00%	100.00%

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

** All entities listed below Energetický a průmyslový holding a. s. (a holding company) represents the most significant entities within this group; effective proportions of ownership and voting interest presented relate to Energetický a průmyslový holding a. s. itself.

C.3. Acquisitions

C.3.1. Acquisition of real estate projects

On 25 June the Group acquired, through its subsidiary Celestial Holdings Group Ltd., several real estate projects located in Slovakia and Russia. Effectively the Group holds a 65% stake in Russian projects and a 24.5% stake in the Slovakian projects. Total consideration paid for the acquisition was MEUR 72. No goodwill arose on the acquisition. The fair value of the assets acquired was MEUR 87, the bulk of which was investment property, while the fair value of liabilities including non-controlling interest was MEUR 15.

On 27 August 2009 the Group acquired through the same company another two Russian real estate projects which it controls and in which it holds an effective stake of 45.5%. Total consideration paid for the acquisition was MEUR 19. No goodwill arose on the acquisition. The fair value of assets acquired was MEUR 33, the bulk of which was investment property, while the fair value of liabilities including non-controlling interest was MEUR 14.

C.3.2. Acquisition of Eldorado

On 9 October 2009 the Group closed a transaction with Russian businessman Mr. Igor Yakovlev. Through a debt/equity swap, PPF Group (together with Generali as a minority partner) acquired for MUSD 300 (in which Generali participated for MUSD 65) a controlling stake of 50% plus one share in Facipero Investments Ltd., the holding company of Eldorado LLC, Russia's largest electronics and domestic appliances retailer. As of 31 December 2009 PPF Group controls Eldorado with effective ownership of 40% (Generali holds an effective stake of 10%).

The total cost of the investment includes goodwill arising from the acquisition. Goodwill in the amount of MEUR 222 represents that part of the cost of the investment attributable to assets that were not capable of being individually identified and separately recognised and reflects the results of purchase price allocation.

During the period from the acquisition till 31 December 2009, Eldorado contributed revenue totalling MEUR 559 and a net loss of MEUR 8. If the acquisition had occurred on 1 January 2009, management estimates that consolidated revenue would have been higher by MEUR 1,148, and consolidated profit for the period would have been lower by MEUR 89. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2009.

The fair value of assets acquired was MEUR 777, while the fair value of liabilities acquired was MEUR 924. Due to the negative equity position of Eldorado as of the acquisition date, a MEUR 90 non-controlling interest arose on the acquisition.

Identifiable assets acquired and liabilities assumed are as follows:

In millions of EUR, as of acquisition date	Note	
Cash and cash equivalents	F.1.	24
Loans and receivables due from non-banks	F.2.4.	10
Other loans and receivables	F.2.6.	85
Current income tax receivable		10
Deferred tax assets	F.3.	68
Other assets	F.4.	75
Inventories	F.5.	301
Property, plant and equipment	F.8.	32
Intangible assets	F.9.	172
Due to non-banks	F.10.	(138)
Due to banks and other financial institutions	F.11.	(211)
Deferred tax liabilities	F.3.	(44)
Provisions	F.14.	(20)
Other liabilities	F.15.	(511)
Net assets attributable to equity holders		**(147)**
Non-controlling interest		90
Cost of acquisition (excluding Generali part)		165
Goodwill		222

The consolidated financial statements include the financial performance of Eldorado from 9 October till 31 December 2009 using the method of full consolidation.

C.3.3. PPF Partners and EP Holding

PPF Partners is an international private equity group focused on the transitional economies of Emerging Europe and the CIS region. PPF Partners was established in late 2008 by PPF Group in cooperation with Generali. The ownership structure of PPF Partners (the management company) is as follows: PPF Group owns 72.5% and Generali 27.5%.

PPF Partners administrate a private equity fund, PPF Partners 1 Fund L.P., which was launched with MEUR 615 in commitments from PPF Group, PPF shareholders and Generali. In late 2008 the fund invested a part of its commitments in an initial portfolio that includes stakes in waste-to-energy businesses, fuel distribution, hotels and media companies in the Czech Republic, Romania and Ukraine. All necessary regulatory approvals related to the individual acquisitions were obtained in 2009.

In 2009 the fund continued to invest in further projects, one of the biggest of which was the establishment of Energetický a průmyslový holding a.s. ("EP Holding") together with J&T Group. EP Holding aims to become a long-term strategic investor in the energy sector and a major investor in industry. EP Holding's business lines include generation of electricity and heat, their distribution and sale to final customers, as well as trading in electricity and natural gas.

Financial aspects

As of 31 December 2009 the breakdown of financial investments in PPF Partners 1 Fund L.P. was as follows:

In millions of EUR, as at 31 December	All limited partners	PPF Group
Total commitment	615	123
Commitment called	467	74
Net assets attributable to limited partners	463	73
thereof:		
FV of investment in EP Holding	155	52
FV of residual assets	308	21

Accounting aspects

PPF Group controls the fund's management company, PPF Partners, but due to the existence of substantial kick-off rights assigned to the investors it does not control the fund itself. From the position of one of the investors in the fund, there is no project, in which PPF Group holds a stake exceeding 50% and applies control. As a consequence, PPF Group applies significant influence in the fund and decided to apply the venture capital exemption in accordance with IAS 28.1. The investment in the fund is recognised in the category fair value through profit or loss and carried at fair value with change in fair value recognised in the income statement (refer to F.21.).

PPF Group's total investment in EP Holding consists of a 10% effective direct stake, a 10% effective indirect stake through PPF Partners 1 Fund L.P. In addition, a residual effective 20% indirect stake through the fund is held by Generali. Due to the combination of the direct and indirect stakes, this investment is not valued at fair value but accounted for using the equity method of consolidation (refer to F.6.).

The total acquisition price for the whole 40% stake in EP Holding was MEUR 201. The total cost of the investment includes goodwill arising from the acquisition. Goodwill in the amount of MEUR 93 represents that part of the cost of the investment attributable to assets that are not capable of being individually identified and separately recognised. Management lacks sufficient information to properly determine the fair value of the associate as of the date of the acquisition. However, based on its assessment of the company the effect of any adjustment would not be material to the financial statements.

C.3.4. Associates (in 2008)

The following table shows the significant acquisitions made during 2008:

Acquired company	Description of entities	Method of accounting for combination	Effective date of the combination	Percentage of ownership interest obtained	Cost of acquisition (in millions of EUR)
Generali PPF Holding B.V.	insurance holding	acquisition	17 January 2008	49.00%	2,500
Nomos-Bank, OJSC	bank	acquisition	17 April 2008	29.92%	443
Pearlmoon Ltd.	holding company	acquisition	11 June 2008	100.00%	481
Polymetal, OJSC*	precious metals mining company	acquisition	11 June 2008	24.90%	n/a*
Accord Invest LLC	service company	acquisition	28 August 2008	40.00%	–

* acquired through Pearlmoon Ltd.

Generali PPF Holding B.V.

Refer to note A.5.2.

Nomos-Bank, OJSC

As at 31 December 2007 the Parent Company held an indirect 15.66% stake in Open Joint-Stock Company "Nomos-Bank".

On 14 January 2008 the Group acquired an additional 2.02% stake in Nomos-Bank via an increase in the bank's share capital.

On 17 April 2008 new SPAs for purchase of an additional 12.24% stake were signed and the Group became a shareholder with a total 29.92% interest in Nomos-Bank. As of 17 April 2008 the Group is deemed to exercise significant influence in Nomos-Bank, and hence the investment in Nomos-Bank has been accounted for using the equity method of consolidation since that date.

The total cost of the investment, MEUR 443, contains goodwill arising from the acquisition. Goodwill in an amount of MEUR 236, representing that part of the cost of the investment attributable to assets that are not capable of being individually identified and separately recognised, involves in this case potential intangible assets not recorded in the financial statements of Nomos-Bank that could not be measured reliably. The Group has not identified any significant intangible asset apart from the goodwill.

In June 2008 the Group participated in a capital increase of Nomos-Bank proportionally to its share in an amount of MEUR 38.

Polymetal, OJSC

On 10 June 2008, the Parent Company signed a SPA for the purchase of 99.9% of the issued capital of Cypriot entity Pearlmoon Ltd. (the whole issued capital except one B share), which holds a 24.9% stake in the Russian company Polymetal, a leading precious metals mining company, which produces gold and silver. The closing date of the transaction was 11 June 2008.

The 24.9% share in Polymetal was contributed to Pearlmoon Ltd. just before the transaction. The value of the contribution corresponds to the total fixed part of consideration paid for the 100% stake in Pearlmoon Ltd.

The total consideration consisted of immediate payments and deferred payments payable in November 2008 and March 2009. The entire deferred price payable was settled in December 2008 using a bank loan provided to the Russian entity Accord Invest LLC in which the Group has significant influence.

Total cost of the investment MEUR 481, contains goodwill arising from the acquisition. The goodwill in an amount of MEUR 381, represents that part of the cost of the investment attributable to assets that are not capable of being individually identified and separately recognised. We lack sufficient information to properly determine the fair value of the associate as at the date of acquisition. However, based on our assessment of the company the effect of any adjustments would not be material to the financial statements.

In the second half of 2009 Polymetal increased its capital by a share issue in which the Group did not participate. The total stake was diluted to 21.92%. As the Group is still considered to exercise significant influence, the investment in Polymetal is accounted for using equity method of consolidation.

C.3.5. Real estate structure (in 2008)

On 1 September 2008 the Group acquired 100% in PPF Real Estate Ltd. This entity holds A shares (representing 100% of the voting rights) in PPF Property Limited, a real estate fund investing into several real estate projects. On 28 December the Group acquired also B shares in PPF Property Limited, transferring all economic benefits to the Group, so the Group controls this real estate structure from said date. The total consideration paid for the structure was MEUR 110. No goodwill arose from the acquisition. The fair value of assets acquired was MEUR 393, while the fair value of liabilities and non-controlling interest acquired was MEUR 283.

The following table summarizes the acquisition of other significant subsidiaries in 2009:

Acquired company	Description of entities	Method of accounting for combination	Effective date of the combination	Percentage of ownership interest	Cost of acquisition (in millions of EUR)
Glancus Investments Inc.	holding company	acquisition	17 August 2009	100.00%	2
Bonacova Ltd.	holding company	acquisition	6 July 2009	100.00%	–

The following table shows details of significant companies acquired in 2009:

Acquired company In millions of EUR	Fair value of assets acquired	From which cash and cash equivalents	Fair value of liabilities undertaken	Goodwill arising on acquisition	Net profit (loss) for the period included in consolidated 2008 result
Glancus Investments Inc.	2	–	–	–	–
Bonacova Ltd.	–	–	–	–	–

The following table summarizes the acquisition of other significant subsidiaries in 2008:

Acquired company	Description of entities	Method of accounting for combination	Effective date of the combination	Percentage of ownership interest	Cost of acquisition (in millions of EUR)
CP Reinsurance Company Ltd.	reinsurance company	acquisition	15 December 2008	100.00%	305
Anthiarose Ltd.	holding company	acquisition	17 April 2008	100.00%	2
Dunmow Ltd.	holding company	acquisition	27 November 2008	100.00%	172

The following table shows details of significant companies acquired in 2008:

Acquired company In millions of EUR	Fair value of assets acquired	From which cash and cash equivalents	Fair value of liabilities undertaken	Goodwill arising on acquisition	Net profit (loss) for the period included in consolidated 2008 result
CP Reinsurance Company Ltd.	586	148	281	–	(1)
Anthiarose Ltd.	2	–	–	–	1
Dunmow Ltd.	172	–	–	–	(22)

The above acquisitions were settled by cash or cash equivalents.

The following table shows the companies established by the Group during 2009:

Established company	Description of entities	Date of first consolidation	Percentage of ownership interest
PPF Vietnam Finance Company LLC	company providing consumer finance	5 March 2009	100.00%
PPF Co3 B.V.	holding company	13 October 2009	100.00%

The following table shows the companies established by the Group during 2008:

Established company	Description of entities	Date of first consolidation	Percentage of ownership interest
Home Credit Business Management (Tianjin) Co., Ltd.	consulting	7 July 2008	100.00%
Shenzen Home Credit Guarantee Co., Ltd.	guarantee company	1 April 2008	100.00%
PPF Partners Ltd.	holding company	12 November 2008	100.00%
PPF Home Credit IFN S.A.	company providing consumer finance	8 April 2008	100.00%

C.4. Disposals

In April 2009, the Group decided to liquidate its subsidiary Home Credit Finance (LLC) registered in Ukraine. The liquidation process was finalised in the second half of 2009. The Group recorded a net gain of MEUR 1 in connection with the liquidation.

In July 2009, the Company disposed of its participation in PCJSB "Privatinvest" in Ukraine for MEUR 6.8 in cash. The subsidiary contributed a net loss of MEUR 4 to the consolidated net profit for the year.

The total effect of those disposals is presented in the income statement as a net loss from investment in subsidiaries.

The only significant disposal in 2008 – the disposal of CZIH Group – related to the Generali transaction (refer to A.5.2.) and is presented under profit from discontinued operations.

The impact of the transaction is as follows:

In millions of EUR	17 January 2008
Book value of assets sold (of which cash equivalents MEUR 125)	6,354
Goodwill derecognised	27
Book value of liabilities transferred	(5,478)
Consideration (of which cash assumed MEUR 1,100)	3,600
Profit on disposal	**2,697**

D. Significant accounting policies and assumptions

D.1. Significant accounting policies

D.1.1. Foreign currency translation

A foreign currency transaction is a transaction that is denominated in or requires settlement in a currency other than the functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. For initial recognition purposes, a foreign currency transaction is translated into the functional currency using the exchange rate effective at the date of the transaction. At the end of each reporting period:

- foreign currency monetary items are translated using the closing foreign exchange rate;
- non-monetary items denominated in a foreign currency and which are carried at historical cost are translated using the foreign exchange rate at the date of the original transaction;
- non-monetary items denominated in a foreign currency, which are carried at fair value, are translated using the foreign exchange rates ruling at the dates the fair values were determined.

Exchange differences arising from the settlement of monetary items or from translation of the Group's monetary items at rates different from those at which they were initially recorded, or reported in previous financial statements, are recognised as Operating income/expense in the period in which they arise.

For enterprises within the Group which have a functional currency different from the Group's presentation currency, the following procedures are used for translation into the presentation currency for reporting purposes:

- the assets and liabilities, both monetary and non-monetary, of the foreign entity are translated at the closing exchange rate;
- income and expenses of the foreign entity are translated at exchange rates approximating to the foreign exchange rates ruling at the dates of the transactions;
- all resulting exchange differences arising from the translation of foreign subsidiaries are classified under "foreign currency translation adjustments" as a separate component of equity until disposal of the net investment in the subsidiary.

D.1.2. Impairment

The carrying amounts of the Group's assets, other than investment property (refer to D.1.7.), inventories (D.1.5.), deferred tax assets (D.1.22.), deferred acquisition costs (refer to D.2.4.) and the present value of future profits on an acquired insurance portfolio (D.2.2.), are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is measured annually regardless of any indication of impairment for intangible assets with an indefinite useful life and for intangible assets not yet available for use.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

An impairment loss is recognised to the extent that the carrying amount of an asset, or the relevant cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are first allocated to reduce the carrying amount of any goodwill allocated to those cash-generating units (or groups of units) and then, to reduce the carrying amount of the other assets in the units (groups of units) on a pro rata basis.

Individual impairment losses are losses which are specifically identified. General impairment losses are losses which are present in a portfolio of loans or receivables but not specifically identified.

The recoverable amount of the Group's investments in held-to-maturity securities, loans and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

Loans and advances are reported net of allowances for loan losses to reflect the estimated recoverable amounts. Receivables are stated at their cost less impairment losses.

The recoverable amount of an available-for-sale asset is its current fair value. When there is objective evidence that it is impaired, the reduction in fair value originally recognised in equity is recognised in the income statement.

The recoverable amount of other assets is the greater of their fair value less the cost to sell and their value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of a held-to-maturity security, loan, advance or receivable, or an available-for-sale debt instrument is reversed through the income statement (up to the amount of the amortised cost) if the subsequent increase in recoverable amount can be attributed objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of available-for-sale equity instruments is not reversed through the income statement and any subsequent increase in fair value is recognised in equity.

An impairment loss in respect of goodwill is not reversed in a subsequent period. Except for goodwill which is part of Investments in associates, impairment losses in respect of such goodwill can be reversed.

In respect of other assets, an impairment loss is reversed through the income statement if there has been an increase in the recoverable amount and the increase can be objectively attributed to an event occurring after the date of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount of the asset that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

D.1.3. Cash and cash equivalents

Cash consists of cash on hand and demand deposits with banks and other financial institutions. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

D.1.4. Financial assets

Financial assets include financial assets at fair value through profit or loss, financial assets available for sale, financial assets held to maturity, loans and receivables, cash and cash equivalents.

Financial assets are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. For regular purchases and sales of financial assets, the Group's policy is to recognise them using settlement date accounting. Any change in the fair value of an asset to be received during the period between the trade date and the settlement date is accounted for in the same way as if the Group used trade date accounting. Financial instruments, with the exception of financial instruments at fair value through profit or loss, are measured initially at fair value plus transaction costs directly attributable to the acquisition or issue of the financial instrument.

The fair value of financial instruments is based on their quoted market price at the end of the reporting period without any deduction for transaction costs. If a quoted market price is not available or if the market for an investment is not active, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management estimates and the discount rate is based on the market rate at the end of the reporting period for an instrument with similar terms and conditions. Where pricing models are used, the inputs are based on market indicators as at the end of the reporting period.

The fair value of derivatives that are not exchange-traded is the estimated amount that the Group would receive or pay to terminate the contract at the end of the reporting period, taking into account current market conditions and the current creditworthiness of the counterparties.

A financial asset is derecognised when the Group loses control over the contractual rights that comprise that asset. This occurs when the rights are exercised, or when the rights expire or are surrendered.

D.1.4.1. Financial assets available for sale

Available-for-sale financial assets are non-derivative financial assets that are not classified as loans and receivables, held to maturity investments, or financial assets at fair value through profit or loss. Available-for-sale financial assets include equity securities whose fair value cannot be reliably measured and selected bonds.

After initial recognition, the group measures financial assets available for sale at their fair values, without any deduction of the transaction costs that might be incurred upon their sale or other disposal, with the exception of instruments that do not have a quoted market price on an active market and whose fair value cannot be reliably measured, which are stated at cost, including transaction costs, less impairment losses.

Any revaluation gain or loss on a financial asset available for sale is recognised in other comprehensive income with the exception of impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When available-for-sale assets are derecognised, the cumulative gain or loss previously recognised in equity is recognised in the income statement. Where these instruments are interest-bearing, interest calculated using the effective interest rate method is recognised in the income statement.

D.1.4.2. Financial assets held to maturity

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity which the Group has the positive intent and ability to hold to maturity.

Financial assets held to maturity are valued at amortised cost less any impairment losses. Premiums and discounts are amortised over the life of the instrument using the effective interest rate method. The amortisation of premiums and discounts is recorded as interest income or an interest expense.

The fair value of an individual security within the held to maturity portfolio can fall temporarily below its carrying value, however, provided there is no risk that the security may be impaired, the security would not be written down in value.

D.1.4.3. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading or non-trading financial assets that are designated upon initial recognition at fair value through profit or loss.

Financial assets held for trading are assets that were acquired or incurred principally for the purpose of generating a profit from short-term fluctuations in their price or the dealer's margin. Financial assets are classified as held for trading if, regardless of the reason they were acquired, they are part of a portfolio for which there is evidence of a recent actual pattern of short-term profit taking.

Financial assets held for trading include investments and certain purchased loans and derivative contracts that are not designated as effective hedging instruments. All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as trading assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as financial liabilities at fair value through profit or loss.

Group companies providing insurance business designate non-trading financial assets according to their investment strategy as financial assets at fair value through profit or loss, if there is an active market and the fair value can be reliably measured (fair value option). The fair value option is applied only if it results in more relevant information, because it significantly reduces a measurement or recognition inconsistency ("accounting mismatch").

Subsequent to initial recognition all financial assets at fair value through profit or loss, except for derivative instruments that are not exchange traded and financial assets that are not quoted on an active market, are measured at fair value based on the market price quoted on an active market. Gains and losses arising from changes in the fair values of financial assets at fair value through profit or loss are recognised in the income statement.

D.1.4.4. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, other than those classified as at fair value through profit or loss or classified as available for sale.

Loans and receivables are measured at amortised cost using the effective interest rate method and are reported net of allowances for loan losses to reflect the estimated recoverable amounts.

The Group enters into purchases (sales) of investments under agreements to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised in loans to either banks or non-banks. The receivables are shown as collateralised by the underlying security. Investments sold under repurchase agreements continue to be recognised in the statement of financial position and are measured in accordance with the accounting policy as either assets held for trading or available-for-sale, as appropriate. The proceeds from the sale of the investments are reported as liabilities to either banks or non-banks.

The difference between the sale and repurchase considerations is recognised on an accrual basis over the period of the transaction and is included in interest.

D.1.4.5. Lease transactions

Loans and receivables include the Group's net investment in finance leases where the Group is acting as the lessor. The net investment in finance leases is the aggregate of the minimum lease payments and any unguaranteed residual value accruing to the lessor discounted at the interest rate implicit in the lease. Lease payments include repayment of the finance lease principal and interest income. The recognition of the interest is based on a variable interest rate, which is applied to the net investment (principal) outstanding in respect of the finance lease. Income from finance leases is allocated over the lease term on a systematic basis.

Property and equipment used by the Group under operating leases, whereby the risks and benefits relating to ownership of the assets remain with the lessor, are not recorded in the Group's statement of financial position. Payments made under operating leases to the lessor are charged to the income statement over the period of the lease.

D.1.5. Inventory

Inventories are stated at the lower of cost and net realisable value (being the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale). Where the net realisable value is below cost, inventories are written down to the lower value, and the impairment loss is recorded in the income statement.

D.1.6. Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before being classified as held for sale, the assets (or components of a disposal group) are measured in accordance with the applicable IFRS. Thereafter generally the assets (or disposal groups) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is allocated to assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

D.1.7. Investment property

Investment properties are properties that are held either to earn rental income or for capital appreciation or for both. A property owned by the Group is treated as an investment property if it is not occupied by a Group company or if only an insignificant portion of the property is occupied by a Group company.

Subsequent to initial recognition all investment properties are measured at fair value. Fair value is determined annually by an independent expert's opinion. Any gain or loss arising from a change in fair value is recognised in the income statement. Rental income from investment property is accounted for over the lease term.

Property that is being constructed or developed for future use as investment property is classified as investment property and is measured at fair value. In case the fair value is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete.

When an item of property, plant and equipment becomes an investment property following a change in its use, any gain arising at the date of transfer between the carrying amount of the item and its fair value, and the related deferred tax thereon, is recognised directly in equity. Upon disposal of the item, the gain is transferred to retained earnings. Any loss is recognised in the income statement immediately.

Subsequent expenditures relating to investment properties are capitalised if they extend the useful life of the assets, otherwise they are recognised as an expense.

D.1.8. Property, plant and equipment

Property, plant and equipment is valued at purchase price or production cost, less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on a straight-line basis using the following rates:

Item	Depreciation rate (%)
Land	–
Buildings	1.00–10.00
Other tangible assets and equipment	6.67–33.33

Component parts of an asset which have different useful lives or provide benefits in a different pattern are recognised as separate assets with different depreciation rates.

The depreciation methods, useful lives and residual values, if not insignificant, are reassessed annually. If a material technical improvement is made to an asset during the year, its useful life and residual value is reassessed at the time a technical improvement is recognised.

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses.

D.1.9. Intangible assets

D.1.9.1. Goodwill and negative goodwill

The Group accounts for all business combinations, except business combinations determined to be reorganisations involving group companies under common control (refer to C.1.), as acquisitions. Any excess of the cost of the acquisition over the fair value of the identifiable assets and liabilities acquired in a subsidiary as at the date of the exchange transaction is described as goodwill and recognised as an asset.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units at the date of the acquisition and is not amortised but instead tested for impairment, annually or more frequently if events or changes in circumstances indicate that it might be impaired.

Any excess, as at the date of the exchange transaction, of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition, is re-assessed and any excess remaining after that reassessment is recognised immediately in the income statement.

In respect of associates, the carrying amount of any goodwill is included in the carrying amount of the investment in the associate.

D.1.9.2. Trademarks

Internally generated trademarks are recognised as an intangible asset when they meet the definition of an intangible asset. Such assets are initially measured at cost which is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria. Previously recognised expenses cannot be reclassified to the cost of the asset.

Trademarks that were acquired separately are initially measured at cost, while trademarks acquired through a business combination are measured at fair value.

Trademarks with finite useful life are depreciated on a straight-line basis over their useful life. Trademarks with infinite useful life are not depreciated but they are tested for impairment losses.

D.1.9.3. Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Expenditure on internally generated goodwill is recognised in the income statement as an expense as incurred.

Other intangible assets with finite useful lives are amortised on a straight-line basis over an average period of 3–5 years. The amortization methods, useful lives and residual values, if not insignificant, are reassessed annually. If a material technical improvement is made to an asset during the year, its useful life and residual value are reassessed at the time a technical improvement is recognised.

Other intangible assets with indefinite useful lives are not amortised but are tested for impairment annually, or whenever there is an indication that the intangible asset may be impaired.

D.1.10. Equity

D.1.10.1. Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

D.1.10.2. Dividends

Dividends on share capital are recognised as a liability provided they are declared before the end of the reporting period. Dividends declared after the end of the reporting period are not recognised as a liability but are disclosed in the notes.

D.1.10.3. Non-controlling interest

Non-controlling interest consists of the minority shareholders' proportion of the fair values of a subsidiary's net assets, at the date of the original combination, plus or minus their share of changes in the subsidiary's equity since that date.

Losses applicable to the non-controlling interest, including negative other comprehensive income, are allocated to the non-controlling interest even if doing so causes the non-controlling interest to have a deficit balance (refer to D.4.).

D.1.11. Debt securities issued

Debt securities issued are recognised initially at fair value, net of transaction costs, and subsequently carried at amortised cost. Amortisation of discounts or premiums and interest is recognised in interest expenses and similar charges using the effective interest rate method.

D.1.12. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are liabilities classified as held for trading, which include derivative liabilities that are not hedging instruments and obligations to deliver securities borrowed by a short seller. Financial liabilities at fair value through profit or loss are measured at fair value and the relevant gains and losses from this revaluation are included in the income statement.

D.1.13. Liabilities due to non-banks and due to banks

Liabilities due to non-banks and due to banks are recognised initially at fair value, net of transaction costs, and subsequently valued at their amortised cost. The amortised cost of a financial liability is the amount at which the financial liability was measured upon initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount.

D.1.14. Other liabilities and provisions

Accounts payable arise when the Group has a contractual obligation to deliver cash or another financial asset. Accounts payable are measured at amortised cost, which is normally equal to their nominal or repayment value.

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reasonable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

D.1.15. Interest income and interest expense

Interest income and interest expense is recognised in the income statement on an accrual basis, taking into account the effective yield of the asset or liability, or the applicable floating rate. Interest income and interest expenses includes the amortisation of any discounts or premiums or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated using the effective interest rate method.

D.1.16. Net fee and commission income

Fee and commission income arise from financial services provided by the Group including cash management services, payment clearing, investment advice and financial planning, investment banking services, and asset management services. Fee and commission expenses arise on financial services provided by the Group including brokerage services, payment clearing, and asset management services. Fee and commission income and expenses are recognised when the corresponding service is provided.

D.1.17. Net gain/loss on financial assets

Net gain/loss on financial assets comprises net trading income, net gains on financial assets at fair value through profit or loss that are not held for trading, net realised gains, and dividends.

Net trading income arises from the subsequent measurement of “Trading assets” and “Trading liabilities” to fair value or from their disposal. The amount of trading income to be recorded represents the difference between the latest carrying value and the sale price or between the latest carrying value and the fair value as at the date of the financial statements.

Net gains on financial assets at fair value through profit or loss that are not held for trading arise from their subsequent measurement to fair value or from their disposal.

A realised gain/loss arises on de-recognition of financial assets other than financial assets at fair value through profit or loss. The amount of the realised gain/loss represents the difference between the carrying value of the financial asset and the sale price adjusted for any cumulative gain or loss that had been recognised directly in equity.

Dividends from financial assets are recorded in the income statement once declared and approved by the shareholders’ meeting of the respective company.

D.1.18. Net rental income

Rental income is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income. Rental income from investment properties is included in the net rental income, while rental income from other operating leases is included in other income.

Property operating expenses include expenses directly attributable to rental income and other expenses related to investment property.

D.1.19. Net income on retails operations

Sales of goods consist of retail and wholesale revenues from sales of goods and from related services such as loyalty programmes and additional service programme. Revenue from the sale of goods and the associated cost of sales are recognised in the income statement when the significant risks and rewards of ownership are transferred to the buyer. Sales of goods are decreased by the value of returned goods provided the customers have a right to return the goods during the warranty period. The Group creates provisions for returns of goods.

The Group uses customer loyalty programmes in the retail business. Customers are awarded bonuses (points) for buying goods in the Group's shops. The bonus points are initially recorded at fair value as a decrease in sales of goods and deferred income. The fair value is based on the discount that the customers will obtain upon redemption of the points in exchange for goods and reflects also the proportion of points expected to be redeemed.

Additional service programme constitute the sale of certificates which entitle customers to receive repair services on purchased goods for two or three years. The cash consideration received is treated as deferred income, depending on the validity period of the certificate. Subsequently, the deferred income is recognised as revenue in the income statement on a straight-line basis over the certificate's validity period.

Cost of goods sold includes:

- the value of inventories expensed in the period when revenue from sales is recognised; goods are valued using the weighted average method;
- inventory losses and inventory surplus;
- changes in allowances for slow-moving and damaged items;
- supplier bonuses received (reduction of cost of goods sold); supplier bonuses are allocated between inventories and cost of goods sold on pro-rata basis; and
- repair cost to be incurred after sales (shipment) of goods.

The Group makes provisions for repair cost:

- Warranty repair reserve. Warranty costs are accounted for when revenue (sales of goods) is recognised.
- Provision for additional service. The costs of the additional service programme are recognised in expenses over the period for which the related revenue was recognised and also include the cost of spare parts used in the repair process and direct payroll costs.

D.1.20. Other income and other expenses

D.1.20.1. Income for services rendered

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the end of the reporting period. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or associated costs.

D.1.20.2. Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total lease expense.

D.1.21. General administrative expenses

General administrative expenses include expenses relating to the running of the Group. These include personnel costs, office rental expenses and other operating expenses. Staff costs include employees' salaries and wages, management remuneration and bonuses, and social insurance.

Within insurance operations, administrative expenses include the costs of premium collection, portfolio administration, and the processing of inward and outward reinsurance.

Within banking operations, administrative expenses include the costs of processing payments, maintaining customer accounts and records, and dealing with customers.

D.1.22. Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill arising from a business combination, the initial recognition of assets or liabilities that affect neither the accounting nor the taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantially enacted at the end of the reporting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Recognised deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

D.1.23. Net profit allocated to non-controlling interest

Net profit allocated to non-controlling interest is that part of the net results of the Group attributable to interest which is not owned, directly, or indirectly through subsidiaries, by the equity holders of the Parent Company.

D.1.24. Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographic segment), which is subject to risks and rewards that are different from other segments.

D.2. Significant accounting policies applicable for insurance business

Till 15 January 2008 the Group controlled CZIH Group, an insurance business comprising a significant part of the Group's activities. As a result of the Generali transaction the insurance business, which is now part of a new insurance holding structure, represents the Group's biggest investment in an associate accounted for using the equity method. The following chapters describe the most significant policies affecting accounting treatment of the insurance business (the "Insurance Group").

D.2.1. Discretionary participation features (DPF)

A discretionary participation feature (DPF) represents a contractual right to receive, as a supplement to the guaranteed benefits, additional benefits that constitute a significant portion of the total contractual benefits, whose amount or timing is at the discretion of the Insurance Group. As the amount of bonus to be allocated to policyholders is irrevocably fixed at the end of the reporting period, the amount is presented as a guaranteed liability in the financial statements.

D.2.2. Present value of future profits

On acquisition of a portfolio of long-term insurance contracts, the net present value of the shareholders' interest in the expected after-tax cash flows of the portfolio acquired is capitalised as an asset. This asset is referred to as the Present Value of Future Profits ("PVFP").

D.2.3. Reinsurance assets

Reinsurance assets comprise the actual or estimated amounts, which, under contractual reinsurance arrangements, are recoverable from reinsurers in respect of technical provisions.

D.2.4. Deferred acquisition costs

Acquisition costs are costs that are incurred in connection with the acquisition of new insurance contracts and the renewal of existing contracts. Only certain ("deferrable") acquisition costs are deferred, such as agents' commissions and other variable underwriting and policy issue costs.

In respect of non-life insurance, a proportion of the related acquisition costs are deferred. Acquisition costs in respect of life insurance contracts and investment contracts with DPF are charged directly to the income statement as incurred.

D.2.5. Insurance liabilities

D.2.5.1. Provision for unearned premiums

The provision for unearned premiums comprises that part of gross premiums written attributable to the following financial year or to subsequent financial years, calculated separately for each insurance contract. A provision for unearned premiums is created for both life insurance and non-life insurance.

D.2.5.2. Life insurance provision

The life insurance provision comprises the actuarially estimated value of the Insurance Group's liabilities under life insurance contracts. The provision remains unchanged unless a liability inadequacy arises. A liability adequacy test (LAT) is performed at each reporting date by the Insurance Group's actuaries using current estimates of the future cash flows under its insurance contracts.

D.2.5.3. Provision for outstanding claims

The provision for outstanding claims represents the total estimated cost of settling all claims arising from events which have occurred up to the end of the financial year, whether reported or not, less amounts already paid in respect of such claims. The provision includes claims reported by policyholders but not settled (RBNS) and claims incurred but not reported (IBNR).

D.2.5.4. DPF liability for insurance contracts

The DPF (Discretionary Participation Feature) liability represents the contractual liability to provide significant benefits in addition to the guaranteed benefits, which are based on the performance of a defined pool of assets, the profit or loss of the company or the achieved investment returns.

D.2.5.5. Other insurance provisions

Other insurance provisions contain any other insurance technical provision not mentioned above, such as the provision for unexpired risks (also referred to as the "premium deficiency") in non-life insurance, the ageing provision in health insurance, the provision for contractual non-discretionary bonuses in non-life business and other similar provisions.

D.2.5.6. Financial liabilities for investment contracts with DPF

Financial liabilities for investment contracts with DPF represent liabilities to policyholders under contracts entered into by insurance companies or pension funds which include DPF but which are considered investment contracts because they do not lead to the transfer of significant insurance risk from the policyholder to the Insurance Group and do not therefore meet the definition of an insurance contract.

D.2.6. Hedge accounting

The Insurance Group introduced the hedge accounting method, thus accounting for the cash flow hedge on interest expense rates and exchange rates. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in shareholder's equity. The ineffective portion is recognised in the income statement.

D.2.7. Net assets attributable to unit-holders

Net assets attributable to unit-holders represent third-party unit-holders' residual interests in the net assets of open-end mutual funds. Since the units may be sold back to the issuer in exchange for an amount of cash or other financial assets at any time, this amount represents a liability of the Insurance Group.

D.2.8. Net insurance premium revenue

Net insurance premium revenue includes gross premiums written from direct insurance business and assumed (inwards) reinsurance business, net of premiums ceded to reinsurers.

D.2.9. Net insurance claims and benefits

Insurance technical charges include claims (benefit) expenses, the change in technical provisions and rebates and profit sharing. Claims expenses consists of benefits and surrenders, net of reinsurance. Benefits and claims comprise all payments made in respect of the financial year: annuities, surrenders, additions and releases of loss provisions to and from ceding insurance enterprises and reinsurers, and external and internal claims management costs.

D.2.10. Investment contract benefits

Investment contract benefits represent the changes in financial liabilities resulting from investment contracts. The change in financial liabilities from investment contracts with DPF includes the guaranteed benefits credited, the change in DPF liabilities from investment contracts, and the change in the liability resulting from the liability adequacy test of investment contracts with DPF.

D.2.11. Acquisition costs

Acquisition costs are costs arising from the conclusion of insurance or investment contracts and include direct costs, such as acquisition commissions, and indirect costs, such as advertising costs or administrative expenses.

In non-life insurance, acquisition costs that vary with and are directly related to the acquisition of new policies or the renewal of existing policies are deferred. For life insurance policies and investment contracts with DPF, acquisition costs are charged to the income statement as incurred.

D.2.12. Reinsurance commissions and profit participations

Reinsurance commissions and profit participations include commissions received or receivable from reinsurers and profit participations based on reinsurance contracts. Non-life reinsurance commissions are deferred in a manner consistent with the deferral of acquisition costs in non-life insurance.

D.2.13. Non-uniform accounting policies of subsidiaries

The Insurance Group has taken advantage of the exemption available under IFRS 4.25(c) to continue using non-uniform accounting policies for insurance contracts (and investment contracts with DPF) of subsidiaries. Accordingly, amounts received from policyholders under investment contracts with DPF issued by Czech pension fund subsidiaries continue to be recognised as deposits.

D.3. Changes in accounting policies and accounting pronouncements adopted since 1 January 2009

D.3.1. Amendments and interpretations of IFRS adopted since 1 January 2009

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 2009:

IFRIC 13 Customer Loyalty Programmes (effective from 1 July 2008)

IFRIC 13 addresses how companies that grant their customers loyalty award credits (often called 'points') when buying goods or services, should account for their obligation to provide free or discounted goods or services if and when the customers redeem the points. IFRIC 13 is based on a view that customers are implicitly paying for the points they receive when they buy other goods or services, and hence that some revenue should be allocated to the points. IFRIC 13 requires companies to estimate the value of the points to the customer and defer this amount of revenue as a liability until they have fulfilled their obligations to supply awards. This treatment, which was not previously relevant for the Group as it mainly applies to the retail business, was implemented with the acquisition of Eldorado.

IFRS 8 – Operating segments (effective from 1 January 2009)

This standard requires an entity to adopt the 'management approach' to reporting on the financial performance of its operating segments. Generally, the information to be reported would be that which management uses internally for evaluating segment performance and deciding how to allocate resources to operating segments. Such information may be different from what is used to prepare the income statement and statement of financial position. The standard therefore requires explanations of the basis on which the segment information is prepared and reconciliations to the amounts recognised in the income statement and statement of financial position. This standard replaces IAS 14 Segment reporting and applies only to listed entities. The Group applies IFRS 8 from the annual period beginning 1 January 2009.

Amendment to IAS 23, Borrowing Costs (effective from 1 January 2009)

This amendment removes the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The revised standard requires that an entity capitalise such borrowing costs as part of the cost of that asset. This was a permitted alternative treatment under IAS 23. This treatment was not previously relevant for the Group and it will be applied for newly occurring events.

Amendment to IAS 1 Presentation of Financial Statements (effective from 1 January 2009)

This revision especially introduces a statement of comprehensive income. This will enable users of the financial statements to analyse changes in a company's equity resulting from transactions with its owners in their capacity as owners (such as dividends and share repurchases) separately from 'non-owner' changes (such as transactions with third parties). The revised standard allows items of income and expense and components of other comprehensive income either to be presented in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The Group presents two separate statements. The Group applies this amendment from the annual period beginning 1 January 2009.

Amendment to IAS 32 Financial Instruments Presentation and IAS 1 Presentation of Financial Statements, revised in February 2008 (effective from 1 January 2009)

Prior to this amendment, IAS 32 required shareholders' interests in limited liability companies to be classified as liabilities because such companies are obliged to pay a withdrawing shareholder its share of the company's net assets. Following this amendment, IAS 32 requires such interests to be classified as equity, rather than liabilities, because they represent a residual interest in the entity.

Amendment to Appendix of IAS 18 Revenue (effective from 1 January 2009)

This amendment eliminates the mismatch in the definition of transaction costs (as defined in IAS 39 Financial Instruments: Recognition and Measurement) and related direct costs (as previously defined in IAS 18). Under the amended standard only related transaction costs (as defined in IAS 39) can be deferred and recognised as an adjustment to the effective interest rate.

Amendments to IFRS 7 Financial Instruments: Disclosures (effective from 1 January 2009)

These amendments require enhanced disclosures about fair value measurements of financial instruments and over liquidity risk. The Group applies these amendments from the annual period beginning 1 January 2009.

D.4. Application of standards and interpretations before the effective date

Amendment to IFRS 3 Business Combinations and related revisions to IAS 27 Consolidated and Separate Financial Statements (effective for the financial statements starting from 1 July 2009)

In the new version of IFRS 3, transaction costs directly attributable to the acquisition are no longer included in the cost of the business combination. Furthermore, under IFRS 3 the acquirer can elect to measure any non-controlling interest at fair value at the acquisition date or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Under the amendment to IAS 27, losses applicable to the non-controlling interest, including negative other comprehensive income, are allocated to the non-controlling interest even if doing so causes the non-controlling interest to have a deficit balance. The Group applies these amendments prospectively from 1 January 2009.

D.5. 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 at 31 December 2009, 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 2013)

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. IFRS 9 has not yet been adopted by the EU.

Amendment to IAS 17 Leases (effective from 1 January 2010)

The current version of IAS 17 states that a lease of land with an indefinite economic life is normally classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. Under the amendment, a land lease with a lease term of several decades or longer may be classified as a finance lease, even if at the end of the lease term title will not pass to the lessee, because in such arrangements substantially all risks and rewards are transferred to the lessee and the present value of the leased asset is considered negligible. The Group will apply this amendment from the annual period beginning 1 January 2010.

Amendment to IAS 36 Impairment of Assets (effective from 1 January 2010)

This amendment specifies allocation of goodwill to cash-generating units. The largest unit to which goodwill should be allocated is the operating segment as defined in IFRS 8 before applying the aggregation criteria of IFRS 8.

IAS 24 Related Party Disclosures (effective from 1 January 2011)

The revised standard provides a disclosure exemption in respect of related party relationships that arise through common control by the State, unless indicators of influence exist between the entities. The revised IAS 24 also amends the definition of a related party to:

- exclude situations in which two entities are related because a person has significant influence over an entity and a close family member of that person has significant influence over another entity; and
- include other entities in which a significant investor of the reporting entity is a member of key management personnel.

The amendments to IAS 24 have not yet been adopted by the EU.

E. Risk Exposures, Risk Management Objectives and Procedures

This section provides details of the Group's exposure to risk and describes the methods used by the management to control risk. The most important types of financial risk to which the Group is exposed are credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk, interest rate risk and equity price risk. In 2008 the Group lost control over all entities providing insurance business by signing the closing agreement related to the creation of Generali PPF Holding B.V. and insurance risk is therefore not relevant anymore.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Home Credit subgroup has established an Asset Liability Committee (ALCO) and a Credit Risk Department, which are responsible for developing and monitoring risk management policies in their specified areas. A similar structure is used by PPF banka a.s. For the rest of the Group the Board has established Group Asset Liability Committee (ALCO). However, due to financial crisis, in the second half of 2008 this body was replaced by day-to-day joint management of the Group's top management, the Board, and all three shareholders implemented. This solution enables immediate reaction to rapid market changes and due to its flexibility it affords the Group a competitive advantage. This arrangement remained in 2009.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Management of the risk arising from participating in the foreign subsidiaries and risk arising from financial instruments is fundamental to the Company's business and is an essential element of the Company's operations. Major risks related to participating in foreign subsidiaries include the risk of impairment due to adverse economic conditions, movements in foreign exchange rates, and liquidity risk given the strong growth in emerging markets. Those risks are managed by Company by monitoring development in foreign markets, using a robust investment decision process, and proper liquidity management. Financial instrument risks faced by the Company are those related to credit exposures, movements in interest rates and foreign exchange rates.

All the facts mentioned in the following sections relates to PPF Group N.V. and all entities under its control. Risk management at the insurance holding Generali PPF Holding B.V. uses the rules and principles of Generali. The Group (PPF Group N.V.) regularly monitors and analyses the situation in the insurance holding as a minority shareholder exercising its significant influence through the corporate governance rules agreed with Generali.

Risk management policies at other significant associates is determined by controlling or major shareholders. The Group (PPF Group N.V.) regularly monitors and analyses the situation at the companies as a minority shareholder exercising its significant influence through existing representatives in executive bodies.

E.1. Derivative financial instruments

The Group holds a variety of derivative financial instruments for trading and for risk management purposes. This note describes the derivatives used by the Group. Further details of the Group's objectives and strategies in the use of derivatives are set out in the following sections. The nature of the derivative instruments outstanding at the end of the reporting period is described in the following sections of this note.

Derivative financial instruments used by the Group include swaps, futures, forwards, options and other similar types of contract whose value changes in response to changes in interest rates, foreign exchange rates, security prices or price indices. Derivatives are either standardized contracts transacted through regulated exchanges (referred to as exchange-traded products) or individually negotiated over-the-counter contracts (referred to as OTC – products). The main types of derivative instrument used by the Group are described below.

E.1.1. Swaps

Swaps are over-the-counter agreements between the Group and other parties to exchange future cash flows based upon agreed notional amounts. Swaps most commonly used by the Group are interest rate and cross-currency interest rate swaps. Under interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional amount. Cross-currency interest rate swaps require an exchange of interest payment flows and capital amounts in different currencies. The Group is subject to credit risk arising from default of the respective counter parties. Market risk arises from potentially unfavourable movements in interest rates relative to the rates set in the contract, or from movements in foreign exchange rates.

E.1.2. Futures and forwards

Forward contracts are commitments to either purchase or sell a designated financial instrument, currency, commodity or index at a specified future date for a specified price and may be settled in cash or another financial asset. Forward contracts result in credit exposure to the counter party and exposure to market risk based on changes in market prices relative to the contracted amounts.

E.1.3. Options

Options are derivative financial instruments that give the buyer, in exchange for a premium payment, the right, but not the obligation, to either purchase from (call option) or sell to (put option) the writer a specified underlying instrument at a specified price on or before a specified date. The Group enters into interest rate options, foreign exchange options, equity and index options and credit failure options (swaps). Interest rate options, including caps and floors, may be used as hedges against a rise or fall in interest rates. They provide protection against changes in interest rates of floating rate instruments above or below a specified level. Foreign currency options may also be used (commensurate with the type of option) to hedge against rising or falling currency rates. The Group as a buyer of over-the-counter options is subject to market risk and credit risk since the counter party is obliged to make payments under the terms of the contract if the Group exercises the option. As a writer of over-the-counter options, the Group is subject to market or credit risk, as it is obliged to make payments if the option is exercised by the counterparty.

E.1.4. Other derivatives

In connection with some significant acquisitions the Group negotiated various over-the-counter contracts. Those existing at the end of the reporting period are described in F.2.1. and valued at fair value using external or internal valuations.

E.2. Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Group. The majority of the Group's exposure to credit risk arises in connection with the provision of consumer financing to private individual customers, which is the Group's principal business. For risk management purposes, the Group classifies the loans to individual customers into several classes, the most significant of which are consumer loans, revolving loans, cash loans, car loans and mortgage loans. This core part of the Group's loan portfolio consists of large amount of loans with relatively low outstanding amounts. Other individual significant credit exposures to third parties are monitored by the Group's top management, Board of Directors and shareholders on a case-by-case basis. The monitoring and assessment is not only by monitoring of individual exposures, but also by country and sector concentration.

The Board of Directors has delegated responsibility for the management of credit risk to the Home Credit Group Credit Risk Department. The department is responsible for oversight of the Group's credit risk, including:

- Formulating, in consultation with business, credit policies units concerning credit assessment, underwriting policies, collection policies, and risk reporting by business unit and loan class;
- Establishing an authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to the management of the various business units, while large exposures and new types of exposures require Group approval. The Group uses one central loan administration system to facilitate loan underwriting;
- Continuous monitoring of performance of the Group's individual credit exposures by country, product class and distribution channel;
- Limiting concentrations of credit exposures by country, product class and distribution channel;
- Reviewing compliance of business units with agreed exposure limits;
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

The Home Credit Group continuously monitors the performance of individual credit exposures at the both the individual business units and the Home Credit Group levels using a number of criteria, including delinquency rates, default rates, and collection efficiency metrics. The Home Credit Group has an active fraud prevention and detection program. Credit risk developments are reported by the Home Credit Group Credit Risk Department to the Board of Directors on regular basis.

As a result of recent negative developments in financial markets, the credit environment in some of the countries where the Home Credit Group operates has deteriorated. The Home Credit Group has taken adequate measures in its underwriting and collection policies in order to limit the negative impact of such market changes.

All other banking institutions in the PPF Group (PPF banka and Nomos-Bank) have their own independent credit risk management procedures similar to Home Credit Group's.

Concentrations of credit risk arise where groups of counterparties have similar economic characteristics that would cause their ability to meet their contractual obligations to be similarly affected by changes in economic or other conditions.

The following tables show the economic and geographic concentration of credit risk:

In millions of EUR, as at 31 December	2009	2009	2008	2008
Economic concentration				
Financial services	1,813	30.62%	1,514	21.24%
Public sector	179	3.02%	188	2.64%
Information and communication technologies producers	8	0.14%	4	0.06%
Telecom providers	5	0.08%	–	–
Construction	26	0.44%	17	0.24%
Households/Individuals	2,660	44.92%	4,097	57.48%
Other	1,230	20.78%	1,307	18.34%
Total	**5,921**	**100.00%**	**7 ,127**	**100.00%**
Geographic concentration				
Czech Republic	1,949	32.92%	1,893	26.57%
Slovak Republic	294	4.97%	309	4.34%
Russia	2,398	40.50%	3,459	48.53%
Netherlands	135	2.28%	45	0.63%
Cyprus	216	3.65%	53	0.74%
Other EU countries	149	2.52%	194	2.72%
China	34	0.57%	38	0.53%
Other	746	12.59%	1,136	15.94%
Total	**5,921**	**100.00%**	**7,127**	**100.00%**
Thereof:				
Financial assets excluding equity securities	5,136	86.74%	5,464	76.67%
Commitments and contingent liabilities	785	13.26%	1,663	23.33%

The amounts reflected in the tables represent the maximum accounting loss that would be recognised at the end of the reporting period if the counterparts failed completely to meet their obligations and any collateral or security proved to be of no value. The amounts, therefore, greatly exceed the expected losses, which are included in the allowance for uncollectibility. The table comprises off-balance sheet items (refer to F.31.1.) and financial assets except equity securities.

The following table shows the Group's exposure to credit risk:

	Loans and advances to customers and Other loans and receivables		Settlements with suppliers and Prepaid expenses	
In millions of EUR, as at 31 December	2009	2008	2009	2008
Individually impaired				
Gross amount	172	27	75	1
Allowance for impairment	(100)	(6)	(75)	(1)
Carrying amount	**72**	**21**	–	–
Collectively impaired				
Current	1,809	2,166	–	–
1–90 days after maturity	245	361	–	–
91–365 days after maturity	263	255	2	–
>365 days after maturity	70	100	–	–
Gross amount	2,387	2,882	2	–
Allowance for impairment	(344)	(373)	(2)	–
Carrying amount	**2,043**	**2,509**	–	–
Neither past due nor impaired				
Carrying amount	**949**	**1,273**	**79**	**55**
Total carrying amount	**3,064**	**3,803**	**79**	**55**

The Group has no significant receivables past due but not impaired.

The Group holds collateral for loans and advances to non-banks in the form of mortgage interests over property, debt or equity securities and received guarantees. Collateral for loans and advances to banks is held mainly as part of reverse repurchase agreements and securities borrowing activity. There are no overdue loans to banks.

These transactions are conducted under usual terms and conditions of standard lending and securities borrowing or lending activities.

The following table shows the fair value of collateral received in respect of loans and receivables:

In millions of EUR as at 31 December	Loans and advances to banks 2009	Loans and advances to banks 2008	Loans and advances to customers 2009	Loans and advances to customers 2008	Other loans and receivables 2009	Other loans and receivables 2008
Against individually impaired	–	–	28	4	29	–
Property	–	–	28	4	–	–
Equity securities	–	–	–	–	29	–
Against collectively impaired	–	–	270	434	–	–
Property	–	–	218	368	–	–
Deposits with banks	–	–	1	1	–	–
Other	–	–	51	65	–	–
Against neither past due nor impaired	416	283	198	336	146	212
Securities received under reverse repo operations	416	283	59	105	–	71
Property	–	–	43	78	–	–
Debt securities	–	–	–	–	–	141
Equity securities	–	–	–	–	146	–
Deposits with banks	–	–	1	3	–	–
Other	–	–	95	150	–	–
Total	**416**	**283**	**496**	**774**	**175**	**212**

The total value of property held as collateral is MEUR 1,011 (MEUR 1,305 in 2008; refer to F.31.3.) and consists of the collateral stated above (2009: MEUR 1,087, 2008: MEUR 1,269) less securities received under reverse repo operations that were repledged or sold in an amount of MEUR 109 (2008: MEUR 0) plus collateral received for provided guarantees.

There are no collaterals held for settlement with suppliers and prepaid expenses.

E.3. Liquidity risk

Liquidity risk arises in the general funding of the Group's activities and in the management of its positions. It includes the risk of being unable to fund assets using instruments with appropriate maturities and rates, the risk of being unable to liquidate an asset sufficiently quickly and in the appropriate amount and the risk of being unable to meet obligations as they become due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. All liquidity policies and procedures as well as liquidity position projections are subject to review and approval by the ALCO.

The Group's Treasury Department collects information from business units and holding companies regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. A portfolio of short-term liquid assets is maintained to ensure sufficient liquidity. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. The individual scenarios focus on liquidity available on markets and facilities, the nature of related risks and magnitude of their impact on the Group's business, management tools available as well as preventive actions.

The Group has access to a diverse funding base. Funds are raised using a broad range of instruments including deposits, bank loans, bond issues and securitisations. In January 2008 the Group gained a syndicated loan facility of MEUR 2,099 and in November 2009 the Group issued MEUR 400 bond. Both developments significantly influenced its liquidity position. As of 31 December 2009 the total amount drawn from the facility reached MEUR 1,480. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The management strives to maintain a balance between continuity of funding and flexibility through use of liabilities with a range of maturities.

The following tables show exposure to liquidity risk:

In millions of EUR, for the year ended 31 December 2009	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non- specified	Total
Cash and cash equivalents	406	–	–	–	–	–	406
Financial assets at fair value through profit or loss	6	34	23	43	101	43	250
Held for trading	3	21	16	43	101	21	205
Not held for trading	3	13	7	–	–	22	45
Financial assets available for sale	8	19	327	49	–	103	506
Loans and receivables due from banks and other fin. institutions	723	72	9	22	181	26	1,033
Loans and receivables due from non-banks	259	283	826	683	210	–	2,261
Other loans and receivables	116	42	527	118	–	–	803
Other assets	299	38	65	21	1	8	432
Total financial assets	**1,817**	**488**	**1,777**	**936**	**493**	**180**	**5,691**

In millions of EUR, for the year ended 31 December 2009	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non- specified	Total
Due to non-banks	880	207	228	55	91	98	1,559
Due to banks and other fin. institutions	333	137	261	332	1,655	–	2,718
Debt securities issued	40	126	680	272	400	–	1,518
Financial liabilities at fair value through profit or loss	124	11	11	25	2	–	173
Other liabilities	172	485	114	28	–	8	807
Total financial liabilities	**1,549**	**966**	**1,294**	**712**	**2,148**	**106**	**6,775**

The Calyon facility is drawn in 1-, 3-, 6-month tranches; however, the facility is available till January 2015. Therefore, the amount drawn as at 31 December 2009 is included in the interval "More than 5 years" (line "Due to banks and other fin. institutions").

In millions of EUR, for the year ended 31 December 2008	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non- specified	Total
Cash and cash equivalents	852	–	–	–	–	–	852
Financial assets at fair value through profit or loss	88	20	226	74	52	145	605
Held for trading	19	20	226	74	52	145	536
Not held for trading	69	–	–	–	–	–	69
Financial assets available for sale	22	24	–	–	–	118	164
Loans and receivables due from banks and other fin. institutions	566	67	54	56	–	15	758
Loans and receivables due from non-banks	252	390	1,095	889	224	–	2,850
Other loans and receivables	86	–	394	44	–	429	953
Other assets	23	5	145	16	2	90	281
Total financial assets	**1,889**	**506**	**1,914**	**1,079**	**278**	**797**	**6,463**

In millions of EUR, for the year ended 31 December 2008	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Non- specified	Total
Due to non-banks	947	204	304	1	–	–	1,456
Due to banks and other fin. institutions	197	165	517	306	2,008	–	3,193
Debt securities issued	31	19	412	1,120	201	–	1,783
Financial liabilities at fair value through profit or loss	34	12	20	22	5	–	93
Other liabilities	135	17	34	1	–	5	192
Total financial liabilities	**1,344**	**417**	**1,287**	**1,450**	**2,214**	**5**	**6,717**

E.4. Market risk

Market risk is the risk that changes in market rates, such as interest rates and foreign exchange rates, prices of equity securities will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

The majority of the Group's exposure to market risk arises in connection with the funding of the Group's operations with liabilities denominated in foreign currencies, and to the extent the term structure of interest-bearing assets differs from that of liabilities.

The Group manages its use of trading instruments in response to changing market conditions. Exposure to market risk is formally managed by buying or selling instruments or entering into offsetting positions in accordance with risk limits or frameworks set by senior management.

E.4.1. Interest rate risk

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or reprice at different times or in differing amounts. In the case of floating-rate assets and liabilities the Group is also exposed to an interest rate cash flow risk, which varies depending on the different repricing characteristics of the various floating rate instruments.

Interest rate risk is managed principally by monitoring interest rate gaps and by having pre-approved limits for repricing bands. The ALCO is the monitoring body for compliance with these limits. As part of its management of this position, the Group uses interest rate derivatives (refer to F.2.1.).

Interest rate derivatives are primarily used to bridge the mismatch in the repricing of assets and liabilities. In addition, the Group enters into interest rate swaps to fix the interest rates on its floating-rate debts at a certain level.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring of the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered include a 100 basis point parallel fall or rise in all yield curves worldwide. In such a case, the net interest income for the year ended 31 December 2009 would be approximately MEUR 15 higher/lower (2008: MEUR 18). The above sensitivity analysis is based on amortised costs of assets and liabilities.

The tables below summarize the interest rate sensitivity of the Group's financial assets and liabilities at the reporting date. The carrying amounts of interest-rate-sensitive assets and liabilities and the notional amounts of swaps and other derivative financial instruments are presented in the periods in which they mature or in which the interest rates will next be fixed. To reflect anticipated prepayments, certain asset and liability categories are included in the table based on the estimated rather than the contractual maturity dates. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the expected maturity date.

The following tables show analysis of interest rate gap position:

In millions of EUR, for the year ended 31 December 2009	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Non-specified	Total
Cash and cash equivalents	0.88%	406	–	–	–	–	–	406
Financial assets at fair value through profit or loss	9.02%	60	24	20	103	–	43	250
Held for trading	6.87%	44	17	20	103	–	21	205
Not held for trading	20.82%	16	7	–	–	–	22	45
Financial assets available for sale	10.34%	27	362	14	–	–	103	506
Loans and receivables due from banks and other fin. institutions	3.53%	805	9	4	8	181	26	1,033
Loans and receivables due from non-banks	35.73%	606	797	460	199	199	–	2,261
Other loans and receivables	5.48%	158	527	39	79	–	–	803
Other assets	–	337	65	9	12	1	8	432
Total financial assets	–	**2,399**	**1,784**	**546**	**401**	**381**	**180**	**5,691**

In millions of EUR, for the year ended 31 December 2009	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Non-specified	Total
Due to non-banks	4.44%	1,087	228	49	6	91	98	1,559
Due to banks and other fin. Institutions	5.04%	2,148	255	26	289	–	–	2,718
Debt securities issued	10.13%	166	680	171	101	400	–	1,518
Financial liabilities at fair value through profit or loss	–	135	13	2	23	–	–	173
Other liabilities	0.01%	658	114	20	8	–	7	807
Total financial liabilities	–	**4,194**	**1,290**	**268**	**427**	**491**	**105**	**6,775**

In millions of EUR, for the year ended 31 December 2008	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Non-specified	Total
Cash and cash equivalents	8.74%	852	–	–	–	–	–	852
Financial assets at fair value through profit or loss	5.76%	125	217	28	39	51	145	605
Held for trading	4.33%	56	217	28	39	51	145	536
Not held for trading	9.89%	69	–	–	–	–	–	69
Financial assets available for sale	–	46	–	–	–	–	118	164
Loans and receivables due from banks and other fin. institutions	3.95%	725	17	12	1	–	3	758
Loans and receivables due from non-banks	32.33%	767	1,053	555	290	185	–	2,850
Other loans and receivables	8.31%	86	823	–	44	–	–	953
Other assets	–	28	145	5	11	2	90	281
Total financial assets	**–**	**2,629**	**2,255**	**600**	**385**	**238**	**356**	**6,463**

In millions of EUR, for the year ended 31 December 2008	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Non-specified	Total
Due to non-banks	5.38%	1,151	304	1	–	–	–	1,456
Due to banks and other fin. Institutions	5.79%	2,283	609	1	300	–	–	3,193
Debt securities issued	11.48%	702	714	367	–	–	–	1,783
Financial liabilities at fair value through profit or loss	–	49	22	–	22	–	–	93
Other liabilities	–	154	33	–	–	–	5	192
Total financial liabilities	**–**	**4,339**	**1,682**	**369**	**322**	**–**	**5**	**6,717**

E.4.2. Equity price risk

Equity price risk is the risk that equity prices will fluctuate affecting the fair value of equity investments and other instruments that derive their value from a particular equity investment or index of equity prices.

The Group manages its use of equity investments in response to changing market conditions and limits the risk by maintaining a diversified portfolio.

E.4.3. Currency risk

The Group is exposed to currency risk through transactions in foreign currencies and through its assets and liabilities denominated in foreign currencies. Foreign currency risk arises when the actual or forecast assets in a foreign currency are either greater or less than the liabilities in that currency.

The Group's main foreign exposures are to European and Asian countries in which the Group operates. Its exposures are measured mainly in US Dollars, Russian Roubles, Czech Crowns, Ukrainian Hryvnias and Chinese Yuan. As the functional currency in which the Group presents its consolidated financial statements is EUR, movements in the exchange rates between these currencies and the EUR affect the Group financial statements.

Net investments in foreign operations are not hedged. The Group's transactional exposures give rise to foreign currency gains and losses that are recognised in the income statement. These exposures comprise the monetary assets and monetary liabilities of the Group companies that are not denominated in the functional currency of the respective Group company. In respect of monetary assets and liabilities in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate, or using short-term FX operations. The Group also has investments in foreign operations whose net assets are exposed to foreign currency translation risk.

The following tables show the composition of financial assets and liabilities with respect to the main currencies (the tables do not contain non-financial assets like fixed assets and investments in associates):

In millions of EUR, for the year ended 31 December 2009	EUR	USD	CZK	RUB	Other	Total
Cash and cash equivalents	28	156	41	153	28	406
Financial assets at fair value through profit or loss	65	26	128	4	27	250
Financial assets available for sale	93	125	94	194	–	506
Loans and receivables due from banks and other fin. institutions	162	296	538	14	23	1,033
Loans and receivables due from non-banks	208	154	543	1,254	102	2,261
Other loans and receivables	554	66	99	84	–	803
Other assets	76	3	279	71	3	432
Total financial assets	**1,186**	**826**	**1,722**	**1,774**	**183**	**5,691**

In millions of EUR, for the year ended 31 December 2009	EUR	USD	CZK	RUB	Other	Total
Due to non-banks	224	150	849	307	29	1,559
Due to banks and other fin. institutions	1,667	323	229	472	27	2,718
Debt securities issued	420	436	245	417	–	1,518
Financial liabilities at fair value through profit or loss	–	23	146	4	–	173
Other liabilities	50	37	204	505	11	807
Total financial liabilities	**2,361**	**969**	**1,673**	**1,705**	**67**	**6,775**
Effect of foreign currency derivatives	**102**	**(154)**	**90**	**(23)**	**(15)**	**–**
Net foreign currency position	**(1,073)**	**(297)**	**139**	**46**	**101**	**(1,084)**

In millions of EUR, for the year ended 31 December 2008	EUR	USD	CZK	SKK	RUB	Other	Total
Cash and cash equivalents	50	56	261	1	466	18	852
Financial assets at fair value through profit or loss	7	115	322	–	152	9	605
Financial assets available for sale	54	–	110	–	–	–	164
Loans and receivables due from banks and other fin. institutions	233	145	285	–	40	55	758
Loans and receivables due from non-banks	17	218	677	163	1,656	119	2,850
Other loans and receivables	669	262	22	–	–	–	953
Other assets	209	15	31	2	23	3	283
Total financial assets	**1,239**	**811**	**1,708**	**166**	**2,337**	**204**	**6,465**

In millions of EUR, for the year ended 31 December 2008	EUR	USD	CZK	SKK	RUB	Other	Total
Due to non-banks	187	155	944	6	148	16	1,456
Due to banks and other fin. institutions	1,998	324	284	117	419	51	3,193
Debt securities issued	140	676	446	–	521	–	1,783
Financial liabilities at fair value through profit or loss	–	22	67	–	4	–	93
Other liabilities	7	2	134	7	35	7	192
Total financial liabilities	**2,332**	**1,179**	**1,875**	**130**	**1,127**	**74**	**6,717**
Effect of foreign currency derivatives	**421**	**368**	**165**	**(20)**	**(948)**	**14**	**–**
Net foreign currency position	**(672)**	**–**	**(2)**	**16**	**262**	**144**	**(252)**

E.4.4. Hedging

The Group uses derivative financial instruments to manage the potential earnings impact of interest rate and foreign currency movements. Several types of derivative financial instruments are used for this purpose, including interest rate swaps and currency swaps, options, forward contracts and other derivatives. The purpose of the Group's hedging activities is to protect the Group from the risk that the net cash inflows will be adversely affected by changes in interest or exchange rates, credit ratings or market prices. The Group enters into transactions to ensure that it is economically hedged in accordance with its asset-liability risk management policies.

Interest rate hedging derivatives are designated as economic hedges of benchmark interest rates for specified assets or groups of similar assets as well as liabilities or groups of similar liabilities, or anticipated transactions. The Group's risk management activities concentrate on economic hedging of the Group's net exposure based on its asset and liability positions. Therefore the Group monitors its interest rate risk exposures by reviewing the net asset or liability gaps within the relevant repricing bands.

Where the Group economically hedges a portfolio of loans or liabilities in respect of the interest rate risk it classifies the loans into homogenous groups, each with specific maturities.

The Group manages its use of hedging derivatives in response to changing market conditions as well as to changes in the characteristics and mix of the related assets, liabilities and firm commitments.

E.5. Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management of the Group. This responsibility is supported by the development of standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

E.6. Capital management

The Group was defined as a financial conglomerate based on a Czech Ministry of Finance decision of March 2006. Since 30 September 2006, the Group has to comply with the supplementary prudential rules specified by the Act. As at 31 December 2009 the Group reported supplementary capital adequacy totalling MEUR 366 of capital surplus (MEUR 279 as at 31 December 2008). Capital adequacy of the Group is calculated as regulatory capital eligible according to prudential rules totalling MEUR 1,213 at 31 December 2009 (MEUR 1,220 as at 31 December 2008) minus the solvency requirement of MEUR 847 at 31 December 2009 (MEUR 941 as at 31 December 2008).

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The actual regulatory capital base is 143% of the capital requirements which satisfies this objective. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the period.

F. Notes to the Consolidated Financial Statements

F.1. Cash and cash equivalents

Cash and cash equivalents comprise the following:

In millions of EUR, as at 31 December	2009	2008
Current accounts	218	210
Current accounts with central banks	47	284
Placements with financial institutions due within one month	141	358
Total cash and cash equivalents	**406**	**852**

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

F.2. Financial instruments

Financial instruments comprise the following:

In millions of EUR, as at 31 December	2009	2008
Financial assets at fair value through profit or loss	250	605
Financial assets available-for-sale	506	164
Loans and receivables due from banks and other financial institutions	1,033	758
Loans and receivables due from non-banks	2,261	2,850
Other loans and receivables	803	953
Total financial instruments	**4,853**	**5,330**

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

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

In millions of EUR, as at 31 December	2009	2008
Debt securities	152	268
Government and other public-sector bonds	107	172
Corporate bonds	45	96
Equity securities	43	28
Shares	20	28
Mutual funds investments	1	–
Other equity securities	22	–
Positive fair values of derivatives	55	309
Interest rate derivatives	21	8
Currency derivatives	34	180
Other derivatives	–	121
Total FVTPL	**250**	**605**

Other equity securities amounting to MEUR 22 represent the fair value of PPF Group's share as an investor in PPF Partners 1 Fund L.P., derived using generally accepted valuation techniques. All other financial instruments held for trading are valued based on quoted the market prices, except for derivatives, which are valued based on generally accepted valuation techniques depending on the product (i.e. discounted expected future cash flows, Black-Scholes model, etc.).

Details of derivatives are provided in the following tables:

Interest rate derivates	Notional amount with remaining life of			Fair values	
In millions of EUR, as at 31 December 2009	Less than three months	Between three months and one year	More than one year	Assets	Liabilities
OTC – products:					
Interest rate swaps	–	–	1,136	20	(3)
Exchange – traded products:					
Interest rate futures	41	33	–	1	–
Total	**41**	**33**	**1,136**	**21**	**(3)**

Interest rate derivates	Notional amount with remaining life of			Fair values	
In millions of EUR, as at 31 December 2008	Less than three months	Between three months and one year	More than one year	Assets	Liabilities
OTC – products:					
Interest rate swaps	859	343	37	8	(10)
Other interest rate contracts	19	6	–	–	–
Total	**878**	**349**	**37**	**8**	**(10)**

Currency derivates	Notional amount with remaining life of			Fair values	
In millions of EUR, as at 31 December 2009	Less than three months	Between three months and one year	More than one year	Assets	Liabilities
OTC – products					
Forward exchange contracts	178	30	31	11	(1)
Currency/cross currency swaps	840	377	25	23	(25)
Total	**1,018**	**407**	**56**	**34**	**(26)**

Currency derivates	Notional amount with remaining life of			Fair values	
In millions of EUR, as at 31 December 2008	Less than three months	Between three months and one year	More than one year	Assets	Liabilities
OTC – products					
Forward exchange contracts	123	760	–	149	(3)
Currency/cross currency swaps	711	390	9	31	(47)
Other foreign exchange contract	–	–	8	–	–
Subtotal	**834**	**1,150**	**17**	**180**	**(50)**
Foreign exchange futures	–	14	–	–	–
Total	**834**	**1,164**	**17**	**180**	**(50)**

In 2008 other derivatives included a total return swap contract representing a right to receive 50% of net proceeds related to ownership of a non-controlling share in the mining company ArcelorMittal Ostrava a.s.

F.2.2. Financial assets available for sale

Financial assets available for sale comprise the following:

In millions of EUR, as at 31 December 2009	Carrying amount	Unrealised gains/(losses) recognised in equity	FX differences recognised through profit and loss	Impairment recognised directly in profit and loss	Amortised cost
Debt securities	403	2	–	–	401
Government bonds	57	–	–	–	57
Corporate bonds	309	2	–	–	307
Other debt securities	37	–	–	–	37
Equity securities	103	(5)	–	(9)	117
Shares	96	(5)	–	(9)	110
Mutual funds investments	7	–	–	–	7
Total AFS	**506**	**(3)**	**–**	**(9)**	**518**

In millions of EUR, as at 31 December 2008	Carrying amount	Unrealised gains/(losses) recognised in equity	FX differences recognised through profit and loss	Impairment recognised directly in profit and loss	Amortised cost
Debt securities	22	–	–	–	22
Government bonds	22	–	–	–	22
Equity securities	118	(4)	–	–	122
Shares	94	(3)	–	–	97
Mutual funds investments	6	(1)	–	–	7
Other	18	–	–	–	18
Loans and receivables	24	–	–	–	24
Total AFS	**164**	**(4)**	**–**	**–**	**168**

F.2.3. 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, as at 31 December	2009	2008
Term deposits at banks	342	357
Minimum reserve deposits with central banks	27	15
Loans to banks	198	42
Loans and advances provided under repo operations	412	287
Other	54	57
Total loans and receivables due from banks and other financial institutions	**1,033**	**758**

The minimum reserve deposits are mandatory non-interest bearing deposits calculated in accordance with regulations issued by central banks and whose withdrawability is restricted. In 2008 term deposits of MEUR 9 were pledged as collateral for a secured loan drawn by the Group.

F.2.4. Loans and receivables due from non-banks

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

In millions of EUR, as at 31 December	2009	2008
Gross amount		
Consumer loan receivables	823	1 021
Cash loan receivables	519	575
Revolving loan receivables	763	965
Car loan receivables	73	74
Mortgage loan receivables	196	224
Personal loan receivables (secured)	19	23
Loans to corporations	166	246
Other	58	101
Total gross amount	**2,617**	**3,229**
Collective allowances for impairment		
Consumer loans receivables	(88)	(122)
Cash loan receivables	(112)	(78)
Revolving loan receivables	(110)	(152)
Car loan receivables	(9)	(5)
Mortgage loan receivables	(20)	(10)
Personal loan receivables (secured)	(3)	(3)
Other	(2)	(3)
Total collective impairment	**(344)**	**(373)**
Loans to corporations	(12)	(6)
Total individual impairment	**(12)**	**(6)**
Total carrying amount	**2,261**	**2,850**

Analysis of movements in allowances for impairment is as follows:

In millions of EUR, as at 31 December	2009	2008
Balance as at 1 January	379	367
Balance acquired by business combinations	8	–
Translation difference	(9)	(37)
Impairment losses recognised in the income statement	311	321
Amount related to loans disposed of	(119)	(158)
Amount related to loans written off	(214)	(114)
Balance as at 31 December	**356**	**379**

F.2.5. Net investment in finance leases

The net investment in finance leases is apportioned as follows:

In millions of EUR, as at 31 December	2009	2008
Net investment in the finance leases to non-banks	1	–
Total net investment in finance leases	**1**	–

The structure of the net investment in finance leases is as follows:

In millions of EUR, as at 31 December	2009	2008
Gross investment in finance leases	1	1
Unearned finance income	–	–
Allowance for uncollectible lease payments receivable	(1)	(1)
Total net investment in finance leases	–	–

The investment in finance leases according to their remaining maturities is as follows:

In millions of EUR, as at 31 December	2009	2008
Gross investment in finance leases, with remaining maturities		
Less than one year	1	1
Between one and five years	–	–
Total gross investment in finance lease	**1**	**1**
Total net investment in finance lease	–	–

F.2.6. Other loans and receivables

The following table provides a breakdown of other loans and receivables:

In millions of EUR, as at 31 December	2009	2008
Loans and receivables	891	930
Loans and advances provided under repo operations	–	23
Individual allowances for impairment	(88)	–
Total other loans and receivables	**803**	**953**

Analysis of movements in allowances for impairment is as follows:

In millions of EUR,	2009	2008
Balance as at 1 January	–	–
Balance acquired by business combinations	44	–
Translation difference	2	–
Impairment losses recognised in the income statement	42	–
Balance as at 31 December	**88**	–

In 2008 the Group started to monitor different market opportunities, a process that led to provision funds to third parties outside of its core banking business. One of such cases in 2008 was the funding of Eldorado, Russia's largest electronics and domestic appliances retailer. As at 31 December 2008 the total loan amount owed by Eldorado was MEUR 348, out of which Generali contributed MEUR 140 under a participation agreement (recorded as liabilities to non-banks). In October 2009 the Group finalised the acquisition of Eldorado as a result of which the loan was converted into an equity share. As of 31 December 2009 the residual loan provided by Generali is MEUR 94.

Other loans include loans granted to the Group's associates used to fund several real estate projects. As of 31 December 2009 the total amount of such loans was MEUR 44 (MEUR 17 in 2008).

In 2008 loans provided under repo operations represented an amount of MEUR 23 that was financed by a bank loan received under a repo operation of the same amount.

F.3. Deferred tax

The table below shows the roll-forward of net deferred taxes:

In millions of EUR, as at 31 December	2009	2008
Net deferred tax asset/(liability) at 1 January	5	19
Transfer to held for sale	–	–
Deferred tax (expense)/income for the period	(8)	1
Deferred tax recognised directly in equity	(8)	–
Additions from business combinations	7	(13)
Net exchange differences	1	(2)
Net deferred tax asset/(liability) at 31 December	**(3)**	**5**

The recognised deferred tax assets and liabilities comprise the following:

	2009 Deferred tax liabilities	2009 Deferred tax assets	2008 Deferred tax liabilities	2008 Deferred tax assets
Intangible assets	(35)	–	(2)	–
Financial assets	(11)	33	(7)	23
Financial assets at fair value through profit or loss	(1)	–	(6)	–
Financial assets available-for-sale	–	1	–	–
Loans and receivables	(10)	32	(1)	23
Investment property	(21)	–	(7)	1
Property, plant and equipment	(19)	–	(14)	1
Inventories	(2)	5	–	–
Other assets	(2)	5	–	7
Financial liabilities	(3)	18	(5)	7
Debt securities issued	–	–	(1)	–
Other liabilities	(2)	16	(2)	6
Financial liabilities at fair value through profit or loss	–	1	–	1
Liabilities to banks	–	1	(1)	–
Liabilities to non-banks	(1)	–	(1)	–
Provisions	–	5	–	–
Other temporary differences	(2)	–	(1)	–
Value of loss carry-forwards recognised	–	26	–	2
Deferred tax assets/(liabilities)	**(95)**	**92**	**(36)**	**41**
Net deferred tax assets/(liabilities)	**(40)**	**37**	**(17)**	**22**

The following table shows the unrecognised deferred tax assets:

In millions of EUR, as at 31 December	2009	2008
Tax effect from unused tax losses	50	40
Unrecognised potential deferred tax assets	**50**	**40**

In recent years several Group companies have incurred tax losses which are available to be carried forward and off-set against future taxable income. To the extent that it is not considered likely that taxable profits will be available against which the unused tax losses can be utilised, the deferred tax asset is not recognised. The unutilized tax losses can be claimed in the period from 2010 to 2014 (from 2010 to 2019 in Russia).

As at 31 December 2009, MEUR 2 in deferred tax liabilities related to post-acquisition undistributed earnings of associates were recognised for Polymetal and Nomos-Bank.

F.4. Other assets

Other assets comprise the following:

In millions of EUR, as at 31 December	2009	2008
Settlements with suppliers	104	24
Prepaid expenses	51	32
Other taxes receivable	29	16
Other	352	210
Subtotal other assets (gross)	**536**	**282**
Specific allowances for impairment on settlement with suppliers	(64)	(1)
Specific allowances for impairment on prepayments and other deferrals	(13)	–
Specific allowances for impairment on other assets	(27)	–
Total other assets	**432**	**281**

The increase in the balance due to suppliers and prepayments is attributable to the acquisition of the Eldorado retail business. A majority portion of the impairment on receivables and prepayments relates to previous business and was part of opening balance as of the date of the Eldorado acquisition.

The line Other contains two significant items. The selling price of a minority stake in ArcelorMittal Ostrava a.s. accounts for MEUR 260. The contract was signed in October with settlement in January 2010. Half of the amount is owed to the external partner in the transaction, and it is included in other liabilities.

Moreover, in December 2008 the Group acquired a 82% share in PPF Investments Ltd. for MEUR 70. As the closing of the transaction is subject to fulfilment of significant conditions precedent, at year end 2009 the change of control necessary to consider the entity a subsidiary had not yet occurred. As of 31 December 2009 impairment in an amount of MEUR 27 was recognised in relation to this asset.

In December 2008 the Group acquired control over the real estate group. As the final price was determined after finalisation of all necessary expert valuations on 31 December 2008, other assets contained a final overpayment of the price in an amount of MEUR 80.

F.5. Inventories

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

In millions of EUR,	2009	2008
Goods/merchandise for resale	351	–
Other inventory	1	2
Allowance for slow-moving and damaged items	(27)	–
Total inventories	**325**	**2**

Analysis of movements in allowances for impairment of inventories is as follows:

In millions of EUR,	2009	2008
Balance as at 1 January	–	1
Additions resulting from business combinations	36	–
Impairment losses recognised in the income statement	(10)	(1)
Translation difference	1	–
Impairment losses on inventories	**27**	–

F.6. Investments in associates

The following table shows a break-down of individual investments in associates:

In millions of EUR, as at 31 December	2009	2008
Nomos-Bank	457	398
Generali PPF Holding	2,511	2,394
Polymetal	551	462
EP Holding	105	–
Real estate projects	4	3
Total investments in associates	**3,628**	**3,257**

Nomos-Bank

Since 17 April 2008 investments in associates have included a 29.92% share in Nomos-Bank, which is a banking group comprising 13 entities. The following table summarises the consolidated financial information related to this associate:

In millions of EUR, as at 31 December	2009	2008
Total assets	6,421	6,729
Total liabilities	(5,573)	(5,942)
Group's share in equity (29.92%)	**254**	**235**
Total revenue	882	628
Total net profit	97	66
Group's share in profit (29.92%)	**29**	**20**
Impairment of associates	73	(73)
Total share in profit	**102**	**(53)**

Based on impairment testing as at 31 December 2008, the value of Nomos-Bank was decreased by MEUR 73. In 2009 the impairment losses were reversed in full due to improving economic situation in Russia. The impairment is included in the share of earnings of associates.

Generali PPF Holding

Since 17 January 2008, investments in associates have included a 49% share in Generali PPF Holding B.V., an insurance group focusing on insurance and pension fund business within the CEE region.

The following table summarises the consolidated financial information related to this associate:

In millions of EUR, as at 31 December	2009	2008
Total assets	14,811	13,884
Total liabilities	(9,648)	(8,961)
Group's share in total equity (49%)	2,530	2,412
Non-controlling interest on subholding level (49%)	(19)	(18)
Group's share in equity (49%)	**2,511**	**2,394**
Total revenue	3,955	3,440
Total net profit	374	(90)
Group's share in net profit (49%)	183	(44)
Non-controlling interest on subholding level (49%)	–	2
Group's share in profit (49%)	**183**	**(42)**

Polymetal

Since 10 June 2008 the Group has held a 24.9% stake in Polymetal, the Russian precious metals mining company. In the second half of 2009, Polymetal increased its capital by a share issue in which the Group did not participate. The total share was diluted to 21.92%. The company is traded on the London and Moscow Stock Exchanges. As of 31 December 2009, the share price of Polymetal was USD 9.17.

In millions of EUR, as at 31 December	2009	2008
Total assets	1,196	629
Total liabilities	(560)	(306)
Group's share in equity (21.92%, in 2008 24.9%)	**139**	**80**
Total revenue (since acquisition)	402	166
Total net profit (since acquisition)	69	(40)
Group's share in net profit (21.92%, in 2008 24.9%)	**15**	**10**
Gain on dilution of interest	51	–
Total share in profit	**66**	**10**

EP Holding

Since 8 October 2009 PPF Group holds directly and indirectly 20% share in Energetický a průmyslový holding a.s. (energy and industrial holding, „EP Holding"). This group aims to become a long-term strategic investor in the energy sector and a major investor in industry. The group's business lines include generation of electricity and heat, their distribution and sale to final customers, as well as trading in electricity and natural gas.

The following table summarises the consolidated financial information related to this associate:

In millions of EUR, as at 31 December	2009
Total assets	1,151
Total liabilities	(870)
Group's share in equity (20.00%)	**56**
Total revenue (since establishment)	245
Total net profit (since establishment)	1
Group's share in profit (20.00%)	**–**

Real estate

This investment consists of several projects, with ownership participations ranging from 24.5% to 50 %. The aggregate total assets of those entities at 31 December 2009 are MEUR 170 (MEUR 104 in 2008), while the aggregate total liabilities are MEUR 173 (MEUR 98 in 2008).

F.7. Investment property

Investment property includes all projects acquired through acquisition of real estate structure (refer to C.3.1. and C.3.5.). The projects, located in the Czech Republic, Slovakia, Romania, Russia, Ukraine, China and India, consist mainly of finished office premises already rented, land plots and projects under construction.

In millions of EUR, as at 31 December	2009	2008
Investment property	331	253
Investment property under construction	11	–
Total investment property	**342**	**253**

The following table shows the roll-forward of investment property:

In millions of EUR, as at 31 December	2009	2008
Balance at 1 January	253	–
Additions	131	253
Transfer to/from property, plant & equipment	(20)	–
Unrealised gains from investment property	31	–
Unrealised losses from investment property	(56)	–
Net exchange differences	3	–
Balance at 31 December	**342**	**253**

F.8. Property, plant and equipment

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

In millions of EUR, as at 31 December 2009	Land and buildings	Other tangible assets and equipment	Tangible assets not in use	Total	Thereof under finance lease
Cost					
Balance at 1 January	248	94	9	351	3
Additions resulting from business combinations	–	28	8	36	3
Additions	5	18	7	30	–
Disposals	(7)	(13)	(16)	(36)	(1)
Other movements	15	6	–	21	–
Net foreign exchange differences	(6)	(4)	–	(10)	–
Balance at 31 December	255	129	8	392	5
Accumulated depreciation and impairment losses					
Balance at 1 January	(23)	(48)	(1)	(72)	(2)
Depreciation charge for the period	(7)	(24)	–	(31)	(1)
Impairment losses recognised	(1)	–	–	(1)	–
Reversal of impairment losses	3	1	–	4	–
Disposals	5	12	–	17	1
Other movements	1	(1)	–	–	–
Net foreign exchange differences	1	2	–	3	–
Balance at 31 December	(21)	(58)	(1)	(80)	(2)
Carrying amount	**234**	**71**	**7**	**312**	**3**

In millions of EUR, as at 31 December 2008	Land and buildings	Other tangible assets and equipment	Tangible assets not in use	Total	Thereof under finance lease
Cost					
Balance at 1 January	223	97	4	324	2
Additions	50	25	44	119	1
Disposals	–	(15)	(42)	(57)	–
Other movements	–	(4)	4	–	–
Net foreign exchange differences	(25)	(9)	(1)	(35)	–
Balance at 31 December	248	94	9	351	3
Accumulated depreciation and impairment losses					
Balance at 1 January	(4)	(43)	–	(47)	(1)
Depreciation charge for the period	(14)	(20)	–	(34)	(1)
Impairment losses recognised	(8)	(1)	(1)	(10)	–
Disposals	–	9	–	9	–
Other movements	–	2	–	2	–
Net foreign exchange differences	3	5	–	8	–
Balance at 31 December	(23)	(48)	(1)	(72)	(2)
Carrying amount	**225**	**46**	**8**	**279**	**1**

F.9. Intangible assets

Intangible assets comprise the following:

In millions of EUR, as at 31 December	2009	2008
Goodwill	227	38
Software	39	19
Trademark	174	3
Other	4	4
Total intangible assets	**444**	**64**

F.9.1. Goodwill

The following table shows the roll-forward of goodwill:

In millions of EUR, as at 31 December	2009	2008
Balance at 1 January	38	78
Additions from business combination	223	4
Impairment losses	(38)	(44)
Net exchange differences	4	–
Balance at 31 December	**227**	**38**

The MEUR 38 opening balance of goodwill related to the Group's business in Ukraine. The initial total goodwill amount, MEUR 78, was partially impaired in 2008. As of 31 December 2009 due to the continuing economic downturn in Ukraine the Group further reassessed the recoverable amount of this cash generating unit to reflect a significant decline of related revenues forecasted for the 2009–2013 period and recognised an impairment loss of MEUR 38.

The MEUR 223 goodwill amount arose on the acquisition of Eldorado in October 2009. As of 31 December 2009 the goodwill was tested for impairment. The recoverable amount of this cash-generating unit was determined using combination of different valuation techniques based mainly on management projections for 2010 and the enterprise value of a direct competitor.

F.9.2. Other intangible assets

The following table shows the roll-forward of the remaining categories of intangible assets:

In millions of EUR, as at 31 December 2009	Software	Other intangible assets	Trademarks	Total
Cost				
Balance at 1 January	38	8	3	49
Additions resulting from business combinations	5	–	168	173
Additions	20	6	–	26
Additions from internal development	7	8	–	15
Other changes	9	–	–	9
Disposal	(1)	(13)	–	(14)
Net foreign exchange differences	–	–	3	3
Balance at 31 December	78	9	174	261
Accumulated amortisation and impairment losses				
Balance at 1 January	(19)	(4)	–	(23)
Additions resulting from business combinations	(1)	–	–	(1)
Amortisation charge for the year	(16)	(1)	–	(17)
Other changes	(4)	–	–	(4)
Disposal	1	–	–	1
Balance at 31 December	(39)	(5)	–	(44)
Carrying amount	**39**	**4**	**174**	**217**

The increase of trademark relates to the acquisition of the Eldorado retail business. A trademark, part of the intangible assets identified during the purchase price allocation process was recognized in an amount of MEUR 168. The trademark is considered to have indefinite useful life and is tested for impairment annually.

In millions of EUR, as at 31 December 2008	Software	Other intangible assets	Trademarks	Total
Cost				
Balance at 1 January	32	8	3	43
Additions	11	1	–	12
Disposal	(4)	–	–	(4)
Net exchange differences	(1)	(1)	–	(2)
Balance at 31 December	38	8	3	49
Accumulated amortisation and impairment losses				
Balance at 1 January	(16)	(3)	–	(19)
Amortisation charge for the year	(6)	(1)	–	(7)
Disposal	1	–	–	1
Net exchange differences	2	–	–	2
Balance at 31 December	(19)	(4)	–	(23)
Carrying amount	**19**	**4**	**3**	**26**

F.10. Liabilities to non-banks

Liabilities to non-banks comprise the following:

In millions of EUR, as at 31 December	2009	2008
Current accounts and demand deposits	455	478
Term deposits	689	728
Loans	255	149
Loans received under repo operations	160	-
Other	–	101
Total liabilities to non-banks	**1,559**	**1,456**

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. Other liabilities in 2008 represented a deferred payment for acquisition of CP Reinsurance Company Ltd., settled in 2009.

F.11. Liabilities to banks and other financial institutions

Liabilities to banks and other financial institutions comprise the following:

In millions of EUR, as at 31 December	2009	2008
Repayable on demand	2	10
Loans received under repo operations	–	23
Secured loans (other than repo)	2,390	2,573
Unsecured loans	319	573
Other	7	14
Total liabilities to banks	**2,718**	**3,193**

In 2008 the Group obtained a syndicated loan facility provided by a group of banks lead by Calyon in a maximum amount of MEUR 2,099 available till January 2015. The pricing is set as applicable EURIBOR+0.70/0.90 bps. The loan can be drawn in 1-, 3- or 6- month tranches and is secured by a pledge of PPF Group's share in Generali PPF Holding B.V. Under the loan agreement, the total amount of the Calyon facility is linked to the value of the investment in Generali PPF Holding B.V. As of 31 December 2009 the total amount drawn was MEUR 1,480 (MEUR 1,850 in 2008).

A MEUR 254 (MEUR 263 in 2008) portion of the secured loans consists of a loan provided by Sberbank to finance residual consideration for the acquisition of Polymetal. The loan matures in 2013 and is secured by a pledge of PPF Group's share in Polymetal. The loan is provided to the Group through its associate Accord Invest Ltd. The interest rate is floating.

MEUR 50 (MEUR 163 in 2008) of the other secured loans stated above was secured by a pledge of consumer loan receivables and cash loan receivables, while another MEUR 54 (MEUR 54 in 2008) was secured by a pledge of revolving loan receivables and MEUR 28 (MEUR 0 in 2008) was secured by pledge of available-for-sale assets.

F.12. Debt securities issued

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

In millions of EUR, as at 31 December	Interest rate	Date of maturity	2009	2008
Notes MEUR 400	Fixed	November 2015	403	–
Unsecured RUB bond issue 6 of MRUB 5,000	Variable	June 2014	116	–
Unsecured CZK bond issue 3 of MCZK 4,000	Fixed	June 2012	101	–
RUB loan participation notes of MRUB 8,200	Variable	March 2014	–	201
Unsecured RUB bond issue 5 of MRUB 4,000	Variable	April 2013	95	99
Class A1 loan note of TEUR 100,000	Variable	May 2012	–	99
Class A2 loan note of TEUR 13,500	Variable	May 2012	–	10
Class B loan note of TEUR 13,000	Variable	May 2012	–	6
Unsecured RUB bond issue 4 of MRUB 3,000	Variable	October 2011	72	75
USD loan participation notes 5 of MUSD 301	Fixed	August 2011	130	202
USD loan participation notes 4 of MUSD 500	Fixed	June 2011	170	338
Unsecured RUB bond issue 3 of MRUB 3,000	Variable	September 2010	70	73
Unsecured RUB bond issue 2 of MRUB 3,000	Variable	May 2010	64	74
USD loan participation notes of MUSD 200	Fixed	April 2010	135	145
Unsecured CZK bond issue 1 of MCZK 3,000	Variable	July 2009	–	115
Unsecured CZK bond issue 2 of MCZK 3,000	Variable	June 2009	–	112
CZK senior variable loan notes of MCZK 5,000	Variable	April 2009	–	131
CZK junior variable loan notes of MCZK 779	Variable	April 2009	–	7
Deposit bill of exchange; rate 3.5%	Fixed	December 2009	–	16
Deposit bill of exchange; rate 4.73%	Fixed	October 2009	–	11
Deposit bill of exchange; rate 4.02%	Fixed	April 2009	–	19
Deposit bill of exchange; rate 3.74%	Fixed	March 2009	–	19
Deposit bill of exchange; rate 3.67%	Fixed	January 2009	–	19
Deposit bill of exchange; rate 4.18%	Fixed	January 2009	–	11
Deposit bill of exchange; rate 2.67%	Fixed	January 2009	–	1
Deposit bill of exchange; rate 1.5%	Fixed	December 2010	17	–
Deposit bill of exchange; rate 1.5%	Fixed	December 2010	1	–
Deposit bill of exchange; rate 2.32%	Fixed	June 2010	38	–
Deposit bill of exchange; rate 3.75%	Fixed	May 2010	12	–
Deposit bill of exchange; rate 3.57%	Fixed	May 2010	12	–
Deposit bill of exchange; rate 1.98%	Fixed	February 2010	19	–
Deposit bill of exchange; rate 2.23%	Fixed	February 2010	15	–
Deposit bill of exchange; rate 2.23%	Fixed	February 2010	11	–
Deposit bill of exchange; rate 2.25%	Fixed	January 2010	20	–
Deposit bill of exchange; rate 2.4%	Fixed	January 2010	11	–
Deposit bill of exchange; rate 2.05%	Fixed	January 2010	6	–
Total debt securities issued			**1,518**	**1,783**

The notes in the amount of MEUR 400 were issued in November 2009.

The RUB-denominated bonds 6 were issued by the Group in June 2009 with a fixed coupon rate. Coupon rates were reset for the subsequent twelve month period by the Group in December 2009. Bondholders are entitled to require early redemption of the bond at par in December 2010.

The RUB-denominated bonds 5 were issued by the Group in April 2008 with a fixed coupon rate. Coupon rates for the twelve month period were reset by the Group in April 2009. Bondholders are entitled to require early redemption of the bond issue at par in April 2010.

The RUB-denominated bonds issue 4 were issued by the Group in October 2006 with a fixed coupon rate. Coupon rates were reset for the subsequent twelve month period by the Group in October 2009. Bondholders are entitled to require early redemption of the bond at par in October 2010.

The RUB-denominated bonds issue 3 were issued by the Group in September 2005 with a fixed coupon rate. Coupon rates for the twelve month period were reset by the Group in March 2009. Bondholders are entitled to require early redemption of the bond at par in March 2010.

The RUB-denominated bonds issue 2 was issued by the Group in May 2005 with a fixed coupon rate. In May 2009 the Group reset a new coupon rate for the next twelve months till the final maturity date.

The EUR- and RUB-denominated loan notes were redeemed early during 2009.

F.13. 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, as at 31 December	2009	2008
Negative market values of derivatives	52	93
Interest rate derivatives	3	10
Currency derivatives	26	50
Equity derivatives	–	7
Other derivatives	23	26
Obligation to deliver securities	121	–
Financial liabilities at fair value through profit or loss	**173**	**93**

F.14. Provisions

Provisions comprise the following:

In millions of EUR, as at 31 December	2009	2008
Warranty repair reserve	2	–
Goods returns	16	–
Provision for litigations except for tax issues	1	–
Other provisions	5	2
Total provisions	**24**	**2**

Analysis of movements in provisions is as follows:

In millions of EUR, as at 31 December 2009	Warranty repair reserve	Goods returns	Provision for litigations except for tax issues	Other provisions	Total
Balance at 1 January	–	–	–	2	2
Additions resulting from business combinations	2	10	–	8	20
Provisions created during the year	–	20	1	3	24
Provisions used during the year	–	(14)	–	(1)	(15)
Provisions released during the year	–	–	–	(7)	(7)
Balance at 31 December	**2**	**16**	**1**	**5**	**24**
Non-current (> 1 year)	–	–	–	–	–
Current (< 1 year)	2	16	1	5	24
Total provisions	**2**	**16**	**1**	**5**	**24**

F.15. Other liabilities

Other liabilities comprise the following:

In millions of EUR, as at 31 December	2009	2008
Settlements with suppliers	448	123
Wages and salaries	52	18
Social security and health insurance	5	2
Other tax payable	10	8
Finance lease liabilities	5	1
Accrued expenses	5	7
Deferred income	74	2
Insurance payable, net	19	13
Advance received	18	-
Other liabilities	171	18
Total other liabilities	**807**	**192**

The increase in balances owed to suppliers and other categories relates to the acquisition of the Eldorado retail business. Other liabilities contain a portion of the sales proceeds owed to an external partner in an amount of MEUR 130 (refer to F.4.).

F.16. Finance lease liabilities

Finance lease liabilities comprise the following:

In millions of EUR, as at 31 December 2009	Payments	Interest	Finance lease liabilities
Finance lease liabilities:			
less than one year	3	–	3
between one and five years	2	–	2
more than five years	–	–	–
Total finance lease liabilities	**5**	**–**	**5**

In millions of EUR, as at 31 December 2008	Payments	Interest	Finance lease liabilities
Finance lease liabilities:			
less than one year	1	–	1
between one and five years	–	–	–
more than five years	–	–	–
Total finance lease liabilities	**1**	**–**	**1**

F.17. Issued capital

Issued capital represents capital in respect of which the shareholders' liability for an entity's obligation towards its creditors is limited. The amount is limited to the current nominal capital approved by shareholders' resolution.

The following table provides details of authorised and issued shares:

	2009	2008
Number of shares authorised	250,000	250,000
Number of shares issued, out of which:		
fully paid	66,738	66,738
Par value per share	EUR 10	EUR 10

The following table reconciles the number of shares outstanding at the beginning and at the end of the year:

	2009	2008
Balance at 1 January	66,738	66,738
Balance at 31 December	**66,738**	**66,738**

As at 31 December 2009 the authorised share capital comprised 250,000 (2008: 250,000) registered shares, out of which 66,738 (2008: 66,738) were issued and fully paid. Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Parent Company.

F.18. Capital and reserves

F.18.1. Revaluations reserve

The revaluation reserve represents the revaluation surplus, net of deferred tax, recognised on property transferred from property, plant and equipment to investment property following a change in use of the property and changes in the fair value of financial assets available for sale. The revaluation reserve fund is not available for distribution to the shareholders.

F.18.2. Legal and statutory reserves

The creation and use of the statutory reserve fund is limited by legislation and the articles of association of each company within the Group. The legal reserve fund is not available for distribution to the shareholders.

F.18.3. Translation reserve

The translation reserve comprises foreign exchange differences arising from translation of the financial statements of companies within the Group with a functional currency other than the presentation currency. The translation reserve fund is not available for distribution to the shareholders.

F.19. Net interest income

Interest income comprises the following:

In millions of EUR, as at 31 December	2009	2008
Financial instruments at fair value through profit and loss	14	9
Financial instruments available-for-sale	24	2
Due from banks and other financial institutions	52	41
Consumer loan receivables	344	428
Cash loan receivables	183	222
Revolving loan receivables	250	314
Car loan receivables	16	12
Mortgage loan receivables	25	26
Loans to corporations and other loans and receivables	74	72
Other	13	9
Total interest income	**995**	**1,135**

Interest expense comprises the following:

In millions of EUR, as at 31 December	2009	2008
Due to customers	82	42
Due to banks and other financial institutions	131	95
Debt securities issued	144	163
Other	3	2
Total interest expenses	**360**	**302**
Total net interest income	**635**	**833**

F.20. Net fee and commission income

Fee and commission income comprises the following:

In millions of EUR, as at 31 December	2009	2008
Penalty fees	76	91
Insurance commissions	64	76
Cash transactions	31	42
Customer payment processing and account maintenance	19	14
Retailers' commissions	6	7
Other	18	2
Total fee and commission income	**214**	**232**

Fee and commission expense comprises the following:

In millions of EUR, as at 31 December	2009	2008
Commissions to retailers	28	55
Cash transactions	10	13
Payment processing and account maintenance	8	5
Other	3	2
Total fee and commission expense	**49**	**75**
Total net fee and commission income	**165**	**157**

F.21. Net gain/loss on financial assets

In millions of EUR, as at 31 December	2009	2008
Net trading income	(131)	129
Securities trading	17	(9)
Debt securities	26	(2)
Equity securities	(9)	(7)
FX trading	(17)	6
Derivatives	(132)	146
Other	1	(14)
Net realized gains	7	20
Financial assets available-for-sale	7	20
Dividends	1	2
Total net gains/losses on financial assets	**(123)**	**151**

The significant negative and positive results from derivatives in 2009 and 2008, respectively, relate to the hedging of FX position visible in foreign currency gains (refer to F.25.) and foreign currency losses in 2008 (refer to F.27.).

F.22. Net impairment losses on financial assets

In millions of EUR, as at 31 December	2009	2008
Financial instruments available-for-sale	9	–
Consumer loan receivables	71	125
Cash loan receivables	100	87
Revolving loan receivables	100	83
Car loan receivables	7	5
Mortgage loan receivables	11	12
Loans to corporations and other loans and receivables	50	5
Other financial assets	5	4
Total net impairment losses on financial assets	**353**	**321**

F.23. Net expense related to credit risk insurance

In millions of EUR, as at 31 December	2009	2008
Consumer loan receivables	16	18
Cash loan receivables	33	21
Commission income for collecting defaulted receivables	(31)	(20)
Total net expense related to credit risk insurance	**18**	**19**

F.24. Net real estate income

Rental and related income comprise the following:

In millions of EUR, as at 31 December	2009	2008
Gross rental income	15	–
Service income	4	–
Total rental and related income	**19**	**–**

Property operating expenses comprise the following:

In millions of EUR, as at 31 December	2009	2008
Repairs and maintenance	2	–
Material and energy consumption	2	–
Other expenses	1	–
Total property operating expense	**5**	**–**

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

In millions of EUR, as at 31 December	2009	2008
Valuation gains on investment property	36	–
Valuation losses on investment property	(56)	–
Total net valuation gain/loss on investment property	**(20)**	**–**

F.25. Other operating income

In millions of EUR, as at 31 December	2009	2008
Gain on disposal of property, plant, equipment, and intangible assets	2	–
Foreign currency gains	139	–
Other income	64	2
Income from other assets	–	4
Total operating income	**205**	**6**

The significant foreign currency gains and losses (refer to F.27.) in 2009 and 2008, respectively, are mitigated by hedging of FX position (refer to F.21.).

F.26. General administrative expenses

General administrative expenses comprise the following:

In millions of EUR, as at 31 December	2009	2008
Employee compensation	225	257
Payroll related taxes (including pension contribution)	35	43
Advertising and marketing	25	19
Professional services	47	63
Telecommunication and postage	33	57
Travel expenses	7	14
Taxes other than income tax	7	7
Information technologies	16	22
Rental, maintenance and repair expense	58	61
Other	30	26
Distribution, transport and storage of goods	18	–
Total general administrative expenses	**501**	**569**

F.27. Other operating expenses

Other operating expenses comprise the following:

In millions of EUR, as at 31 December	2009	2008
Foreign currency losses	–	184
Depreciation on property, plant and equipment	31	34
Amortisation on intangible assets	17	7
Net impairment losses on goodwill recognised	38	44
Net impairment losses on property, plant and equipment recognised	(3)	9
Loss on disposal of property, plant, equipment, and intangible assets	5	2
Net impairment losses on other assets	28	–
Total other operating expenses	**116**	**280**

F.28. Income tax expense

Income tax expense comprises the following:

In millions of EUR, as at 31 December	2009	2008
Current tax expense	(46)	(60)
Deferred tax expense	(8)	1
Total income tax expense	**(54)**	**(59)**

F.28.1. Reconciliation of effective tax rate

The following table reconciles the tax expense:

In millions of EUR, as at 31 December	2009	2008
Tax rate	25.5%	25.5%
Profit from continuing operations (before taxation)	325	(146)
Computed taxation using applicable tax rate	(83)	37
Tax non-deductible expenses	(32)	(12)
Non-taxable income	4	–
Non-taxable share of earnings of associates	84	(26)
Tax rate differences on foreign results	(7)	(25)
Changes in tax rates	–	(4)
Utilised tax loss not previously recognised	–	(15)
Tax loss carry forward not recognised	(18)	(11)
Other	(2)	(3)
Total income tax expense/income	**(54)**	**(59)**

Profit from discontinued operations in 2008 is not taxable income.

F.29. Operating leases

The Group leases a number of office buildings under operating leases. The leases typically run for an initial period of between five and ten years, with an option to renew the lease after that date.

Lease payments are increased annually to reflect market rentals. None of the leases include contingent rentals.

The table below shows payables in respect of non-cancellable operating leases:

In millions of EUR, as at 31 December	2009	2008
Less than one year	88	14
Between one and five years	121	39
More than five years	16	4
Total payables in respect of non-cancellable operating leases	**225**	**57**
Payables in respect of non-cancellable operating leases with non-specified maturity	–	–
of which: less than one year	–	–

The lease and sublease payments recognised as expenses in the income statement were as follows:

In millions of EUR, as at 31 December	2009	2008
Minimum lease payments	40	43
Total lease and sublease payments	**40**	**43**

F.30. Repurchase and resale agreements

The Group Company raises funds by selling financial instruments under agreements to repurchase them at future dates at the same price plus interest at a predetermined rate.

As at 31 December assets sold under repurchase agreements were as follows:

In millions of EUR, as at 31 December	2009 Fair value of underlying assets	2009 Carrying amount of corresponding liabilities	2008 Fair value of underlying assets	2008 Carrying amount of corresponding liabilities
Financial assets at fair value through profit or loss	159	160	71	23
Total assets	**159**	**160**	**71**	**23**

The Group also purchases financial instruments under agreements to resell them at future dates ("reverse repurchase agreements"). The seller commits to repurchase the same or similar instruments at an agreed future date. Reverse repurchases are entered into as a facility to provide funds to customers. At 31 December assets purchased subject to agreements to resell them were as follows:

In millions of EUR, as at 31 December	2009 Fair value of assets received as collateral	2009 Fair value of assets repledged or sold	2009 Carrying amount of receivables	2008 Fair value of assets received as collateral	2008 Fair value of assets repledged or sold	2008 Carrying amount of receivables
Loans and advances to banks	162	253	412	283	–	287
Loans and advances to non-banks	45	15	47	105	–	82
Other loans and receivables	–	–	–	–	70	23
Total loans and advances	**207**	**268**	**459**	**388**	**70**	**392**

F.31. Off balance sheet items

F.31.1. Commitments and contingent liabilities

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts reflected in the table for commitments assume that these amounts have been fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the end of the reporting period if the counterparties failed completely to meet their contractual obligations.

The Group companies included in the banking segment engage in providing open credit facilities to allow customers quick access to funds in order to meet their short-term obligations as well as their long-term financing needs. Such credit facilities can take the form of guarantees, whereby the Group might guarantee repayment of a loan taken out by a client with a third party, stand-by letters of credit which are credit enhancement facilities enabling customers to engage in trade finance at lower cost, documentary letters of credit for obtaining lower cost financing for foreign trade on behalf of a customer, documentary letters of credit reimbursable to the Group company later, debt facilities and revolving underwriting facilities which allow customers to issue short-term or medium-term debt instruments without engaging in the normal underwriting process on each occasion. Revenue from provided guarantees is recognised under "Fee and commission income" and is determined by applying the agreed rates to the nominal amount of the guarantees.

In millions of EUR, as at 31 December	2009	2008
Loan commitments	662	1,608
Revolving loan commitments	540	1,050
Consumer loan commitments	33	436
Cash loan commitments	1	3
Undrawn overdraft facilities	36	8
Term loan facilities	52	111
Guarantees provided	123	55
Non-payment guarantees	98	1
Payment guarantees	25	54
Total commitments and contingent liabilities	**785**	**1,663**

The decrease of loan commitments relates mainly to a decline in the consumer finance business in 2009, due to the economic crisis.

These commitments and contingent liabilities have an off balance-sheet credit risk because only organisation fees and accruals for probable losses are recognised in the statement of financial position until the commitments are fulfilled or expire. Many of the contingent liabilities and commitments will expire without being advanced in whole or in part. Therefore, the amounts do not represent the expected future cash flows.

The following table shows secured liabilities:

In millions of EUR, as at 31 December	2009	2008
Secured bank loans	2,389	2,573
Debt securities issued	–	454
Total secured liabilities	**2,389**	**3,027**

The assets pledged as security were as follows:

In millions of EUR, as at 31 December	2009	2008
Financial assets at fair value through profit or loss (repo operations)	159	71
Financial assets available-for-sale	92	–
Loans and receivables due from banks and other financial institutions	–	9
Loans and receivables due from non-banks	212	857
Inventories	150	–
Investments in subsidiaries, associates and joint ventures	3,066	2,980
Investment property	225	154
Property, plant and equipment	111	87
Total assets pledged as security	**4,015**	**4,158**

A significant portion of secured liabilities represents the Calyon facility and financing of the Polymetal shares acquisition, which are secured by the share in Generali PPF Holding and the share in Polymetal, respectively.

F.31.2. Other contingencies

F.31.2.1. Legal

The Group (as a former sole shareholder of Česká pojišťovna a.s.) is involved in four cases 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 of the company believes that it is unlikely that any of these cases will be concluded in favour of the plaintiff.

F.31.2.2. Taxation

The taxation systems in the Russian Federation, the Republic of Belarus and Ukraine are relatively new and are characterised by frequent changes in legislation which are subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during several subsequent calendar years. Recent events within the Russian Federation, the Republic of Belarus and Ukraine suggest 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 based on its interpretations of applicable Russian, Belarusian and Ukrainian tax legislation, official pronouncements and court decisions.

There is a risk that the Ukrainian tax authorities could assert that the taxable income of Home Credit Bank ("HCB") was understated by MEUR 26. As a consequence, HCB may be exposed to additional current profit tax liabilities in the amount of MEUR 7 (plus penalties of up to 100%) aggregately amounting to as much as MEUR 13. HCB submitted a request to the Tax Inspection in Dnepropetrovsk City seeking clarification of the tax treatment of this transaction. This request was subsequently forwarded to the Ukrainian State Tax Authority (i.e., the highest office of Ukrainian tax authorities), which is currently considering the request.

F.31.3. Guarantee received and off-balance sheet assets

Guarantees received and off-balance sheet assets were as follows:

In millions of EUR, as at 31 December	2009	2008
Guarantees – received	516	455
Loan commitments – received	653	350
Value of property received as collateral	1,011	1,305
Receivables on shares, bonds and promissory notes	–	8
Total contingent assets	**2,180**	**2,118**

The increase in property received as collateral relates to repo operations and growth of lending.

F.32. Related parties

F.32.1. Identity of related parties

The Group has a related party relationship with its associates and non-consolidated subsidiaries.

Furthermore, the key management personnel of the Group, as well as the close family members of such personnel and other parties which are controlled, jointly controlled or significantly influenced by, such individuals and entities in which such individuals hold significant voting power are also considered related parties.

The key management personnel of the Group comprise the members of the Board of Directors and key executive officers.

F.32.2. Transactions with statutory bodies and executive officers

Income of the statutory bodies and key executive officers received from the Group:

In millions of EUR, as at 31 December	2009	2008
Board of Directors of the parent company	0.5	0.7
Key executive officers	14	21

The income includes financial and non-financial income as follows:

Financial income includes all financial income that has been accepted by a member of a board from the Group during the financial year (especially allowances provided for membership of statutory bodies, salaries, wages, bonuses and benefits, income under other arrangements and group life insurance).

Non-financial income includes all non-monetary income (benefits) that has been accepted by a member of a board from the Group during the financial year.

F.32.3. Transactions with associates

During the course of the year the Group had the following significant transactions at arm's length with associates.

In millions of EUR, as at 31 December	2009	2008
Interest income	28	7
Fee and commission income	64	74
Net gain/loss on financial assets	–	2
Net expense related to credit risk insurance	8	5
Rental and related income	9	–
Other income	6	2
Total revenue	**115**	**90**
Interest expense	(51)	(26)
Fee and commission expense	(2)	–
Net gain/loss on financial assets	(4)	–
Net impairment losses on financial assets	(6)	–
Operating expense	–	(2)
Total expense	**(63)**	**(28)**

At the end of the reporting period the Group has the following balances with associates.

In millions of EUR, as at 31 December	2009	2008
Cash and cash equivalents	2	45
Financial assets at fair value through profit or loss	14	64
Financial assets available for sale	129	–
Loans and receivables due from banks and other financial institutions	255	70
Loans and receivables due from non-banks	14	–
Other loans and receivables	25	–
Other assets	9	7
Total assets	**448**	**186**
Current accounts, deposits and loans from non-banks	(355)	(260)
Liabilities due to banks and other financial institutions	(379)	(70)
Debt securities issued	(113)	(275)
Financial liabilities at fair value through profit or loss	(9)	–
Other liabilities	(33)	(86)
Total liabilities	**(889)**	**(691)**

F.32.4. 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, as at 31 December	2009	2008
Interest income	5	1
Other income	–	2
Net income from investment in subsidiaries, associates and joint ventures	–	1
Total revenue	**5**	**4**
Acquisition costs and other operating expenses	(3)	(1)
Total expenses	**(3)**	**(1)**

At the end of the reporting period the Group had the following balances with other related parties:

In millions of EUR, as at 31 December	2009	2008
Loans and receivables due from banks and other financial institutions	17	–
Loans and receivables due from non-banks	1	15
Other assets	2	1
Total assets	**20**	**16**
Current accounts, deposits and loans from non-banks	(2)	(7)
Other liabilities	(10)	–
Total liabilities	**(12)**	**(7)**

F.33. Earnings per share

The next table shows the earnings per share:

	2009	2008
Net profit for the year attributable to equity holders of the Parent	289	2,489
Net profit from continuing operations attributable to equity holders of the Parent Company	289	(207)
Net profit from discontinued operations	–	2,696
Weighted average number of shares	66,738	66,738
Basic and Diluted earnings per share for profit for the year (EUR)	4,330	37,295
Basic and Diluted earnings per share for profit from continuing operations (EUR)	4,330	(3,102)
Basic and Diluted earnings per share for profit from discontinued operations (EUR)	–	40,397

The earnings per share figure is calculated by dividing the consolidated net income by the weighted average number of common shares outstanding.

The diluted earnings per share figure were not calculated because there were no dilutive securities.

F.34. Fair value of financial assets and liabilities

The fair values of the following financial instruments differ from their carrying amounts shown in the statement of financial position:

In millions of EUR, as at 31 December	2009 Carrying amount	2009 Fair value	2008 Carrying amount	2008 Fair value
Loans and receivables due from non-banks	2,261	2,223	2,850	2,797
Due to non-banks	(1,559)	(1,559)	(1,456)	(1,454)
Due to banks and other financial institutions	(2,718)	(2,715)	(3,193)	(3,189)
Debt securities issued	(1,518)	(1,527)	(1,783)	(1,663)

The fair value of a financial instrument is defined as the amount for which a financial instrument could be exchanged between two willing parties in the ordinary course of business. The fair value is based on market prices.

For financial assets which are carried at fair value in the financial statements and for which market prices are not available, the fair value is calculated using the present value of future cash flows method. The discount rates used are calculated as the risk-free rate for the currency of the financial instrument with the application of an appropriate risk margin. For financial assets and liabilities with maturities of less than one year, the fair value is assumed to be equal to the carrying amount.

The following table shows a comparison of financial instruments recorded at fair value, between those whose fair value is based on quoted market price (Level 1), using valuation techniques where all the model inputs are observed in the market (Level 2), and calculated using valuation techniques where significant model inputs are not observable in the market (Level 3):

In millions of EUR, as at 31 December 2009	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	106	124	20	250
Financial assets available-for-sale	363	37	106	506
Financial liabilities at fair value through profit or loss	(121)	(52)	–	(173)
Total	**348**	**109**	**126**	**583**

In millions of EUR, as at 31 December 2008	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	282	316	7	605
Financial assets available-for-sale	78	28	58	164
Financial liabilities at fair value through profit or loss	–	(93)	–	(93)
Total	**360**	**251**	**65**	**676**

Reconciliation of movements in Level 3 is as follows:

	2009
Balance at 1 January	65
Net (losses)/gains recorded in profit or loss	(8)
Net gains recorded in other comprehensive income	(7)
Settlements	(33)
Purchases	109
Balance at 31 December	126

Level 3 valuation is used for investments in equity securities. They are sensitive to the economic developments in the countries in which the companies in question operate; i.e. Russia, Kazakhstan and India.

F.35. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is objective evidence that any loan or receivable, or group of loans or receivables, is impaired. Impairment arises as a result of one or more events that occurred subsequent to initial recognition of the loan or receivable, or group of loans or receivables, with an impact on the estimated future cash flows that can be reliably estimated.

Objective evidence that a loan or receivable, or a group of loans or receivables, is impaired includes observable data that comes to the attention of the Group about the following loss events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as default on interest or principal payments;
- the disappearance of an active market for that financial asset due to financial difficulties of the issuer or the debtor.

The Group first assesses whether objective evidence of impairment exists individually for any loan or receivable that is individually significant, and individually or collectively for any loans or receivables that are not individually significant. For the purposes of a collective evaluation of impairment, loans and receivables are grouped on the basis of similar credit risk characteristics.

Future cash flows from loans and receivables are estimated on the basis of contractual cash flows and historical loss experience of loans and receivables with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between the loss estimates and the actual loss experience.

Estimated impairment of goodwill (including goodwill included in investments in associates)

The Group tests at least annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note D.1.2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these issues is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provisions in the period in which such determination is made.

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded on an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and to determine appropriate assumptions that are mainly based on market conditions existing at the end of each reporting period.

Fair value of investment property

The fair value of the investment property portfolio has been principally determined based on appraisals by an independent external expert. For other investment properties fair value is calculated internally by using the discounted cash flow method. Such valuations required the use of judgment and assumptions about future market conditions. For more details refer to F.7.

G. Subsequent Events

G.1. Acquisition of Euroclinicum

The Group, through its holding company PPF Healthcare a.s., acquired a 100% share in Euroclinicum a.s. – a chain of clinics and hospitals in the Czech Republic. The transaction was finalised on 4 January 2010. Total consideration to be paid for the acquisition is MEUR 17; a portion of the acquisition price is deferred. As of 31 December 2009, the consolidated accounts of Euroclinicum a.s. show total aggregate assets of MEUR 30 and total aggregate liabilities of MEUR 12, not taking into account possible fair value adjustments resulting from the purchase price allocation process which is still unfinished.

G.2. Jean-Pascal Duvieusart becomes a minority shareholder

In February 2010 the Group changed its shareholder structure. Jean-Pascal Duvieusart indirectly purchased a 0.25% stake in PPF Group N.V. from Petr Kellner and became a minority shareholder. Ladislav Bartoníček, another minority shareholder, decided to reduce his stake by 0.14%. As a consequence of these changes, the ownership of PPF Group N.V. is: Petr Kellner: 94.25%; Jiří Šmejc: 5.00%; Ladislav Bartoníček: 0.50%; J.-P. Duvieusart: 0.25%.

G.3. PPF ECM Holding

In June 2009 the Group signed a framework agreement with Czech businessman Milan Janků concerning the formation of a new holding group named “PPF ECM Holding” to include 42 projects of both partners, mainly in the real estate business. PPF Group will contribute the bulk of its real estate projects acquired in 2008, while Mr. Janků will contribute the realty assets of ECM Group N.V. except for a stake in ECM REAL ESTATE INVESTMENTS A.G., plus other businesses and minority shares in projects including PSJ, Domus Eventis, and Carrefour SK. After the transaction closes, the Group will own 75% and Mr. Janků 25% of the voting rights in the new holding structure. The exact share in the economic rights will depend on the final valuation of individual projects. Finalisation of the whole transaction was postponed to the first half of 2010. At the moment the management does not have sufficient financial information about the acquired entities to disclose exact impacts of the acquisition and the purchase price allocation results to the Group.

G.4. Change of share and funding of Energetický a průmyslový holding a.s. (“EP Holding”)

As of 31 December 2009 the Group held together with Generali through the holding company Timeworth Ltd., a 40% share in EP Holding which was split equally between both partners. In March 2010 the Group increased its effective economic share from 20% to 29% by acquiring shares from PPF Partners. Generali’s economic share decreased to 11%. Simultaneously, Timeworth Ltd. granted a MCZK 5,000 loan to EP Holding. The purpose of this loan was to provide funding for further acquisitions.

G.5. Acquisition of 2.02% of Generali shares

In April 2010 the Group completed, directly and indirectly through its 100% subsidiary Anthiarose Ltd., a purchase of 31,448,841 shares of Assicurazioni Generali, whereby the Group gained a 2.02% interest in the share capital of the leading Italian insurer. As the Generali shares have a low risk profile, the Group considers its investment in them to be an appropriate complement within the Group’s investment strategy.

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