Generali PPF Asset Management a.s.

Annual report 2011

Note

The annual report has been prepared in Czech language and in English. In all matters of interpretation of information, views or opinions, the Czech version of the Annual report takes precedence over the English version.

Contents

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Independent auditor's report

to the shareholder of Generali PPF Asset Management a.s.

We have audited the financial statements of Generali PPF Asset Management a.s., identification number 34245976, with registered office at Evropská 2690/17, Praha 6, Dejvice ("the Company") for the year ended 31 December 2011 disclosed in the annual report on pages 18 to 33 and issued the opinion dated 20 March 2011 and disclosed on pages 16 and 17.

Report on the Annual Report

We have verified that the other information included in the annual report of the Company for the year ended 31 December 2011 is consistent with the financial statements referred to above. The Statutory Body is responsible for the accuracy of the annual report. Our responsibility is to express an opinion on the consistency of the annual report with the financial statements based on our verification procedures.

Auditor's Responsibility

We conducted our verification procedures in accordance with the International Standards on Auditing and the related application guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the verification procedures to obtain reasonable assurance about whether the other information included in the annual report which describes matters that are also presented in the financial statements is, in all material respects, consistent with the relevant financial statements. We believe that the verification procedures performed provide a reasonable basis for our opinion.

Opinion

In our opinion, the other information included in the annual report of the Company for the year ended 31 December 2011 is consistent, in all material respects, with the financial statements.

Report on review of the Report on Relations

In addition we have also reviewed the accompanying report on relations between the Company and its controlling party and between the Company and the other persons controlled by the same controlling party for the year ended 31 December 2011 (the "Report"). The completeness and accuracy of the Report is the responsibility of the Statutory Body of the Company. Our responsibility is to express our opinion on the Report based on performed review.

PricewaterhouseCoopers Audit, s.r.o., Kateřinská 40/466, 120 00 Prague 2, Czech Republic
T: +420 251 151 111, F: +420 251 156 111, www.pwc.com/cz

Report on review of the Report on Relations (continued)

Scope of Review

We conducted our review in accordance with Audit standard 56 of the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain limited assurance as to whether the Report is free of material factual misstatement. A review is limited primarily to inquiries of Company personnel, analytical procedures and examination, on a test basis, of factual accuracy of data. A review therefore provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Report has not been properly prepared, in all material respects, in accordance with the requirements of Article 66a of the Commercial Code.

23 April 2012

PricewaterhouseCoopers Audit, s.r.o.
represented by partner

Petr Kříž
Statutory Auditor, Licence No. 1140

Note

Our report has been prepared in the Czech language and in English. In all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over the English version.

Information about Generali PPF Asset Management a.s.

Date of establishment:	3 December 1997
Registered office:	Prague 6, Dejvice, Evropská 2690/17, Post code: 160 41
Registered capital:	CZK 52 million
Auditor for 2011:	PricewaterhouseCoopers Audit, s.r.o.
Board of Directors:	Kateřina Jirásková – Member of the Board of Directors Petr Dobiáš – Member of the Board of Directors
Supervisory Board:	Jiří Šmejc – Chairman of the Supervisory Board Marcel Dostal – Member of the Supervisory Board Pavel Horák – Member of the Supervisory Board
Company management:	Kateřina Jirásková – Chief Executive Officer
Main activities:	portfolio management and related investment services, investment consulting, securities trading

Area of Business:

Provision of these core investment services:

Core investment services

- Pursuant to Section 4(2)(a) of Act No. 256/2004 Coll., on Undertaking on the Capital Market (the "Act"): reception and transmission of orders regarding investment instruments, in relation to the investment instruments under Section 3(1)(a) through (k) of the Act;
- Pursuant to Section 4(2)(b) of the Act: execution of orders in relation to investment instruments for a client's account, in relation to the investment instruments under Section 3(1)(a) through (k) of the Act;
- Pursuant to Section 4(2)(c) of the Act: trading with investment instruments on own account, in relation to investment instruments under Section 3(1)(a) through (k) of the Act;
- Pursuant to Section 4(2)(d) of the Act: management of client's assets under a contract with the client, if an investment instrument is part of such assets, in relation to investment instruments under Section 3(1)(a) through (k) of the Act;
- Pursuant to Section 4(2)(e) of the Act: investment consulting regarding investment instruments, in relation to investment instruments under Section 3(1)(a) through (k) of the Act;
- Pursuant to Section 4(2)(g) of the Act: underwriting or placement of investment instruments with the obligation to underwrite them;
- Pursuant to Section 4(2)(h) of the Act: placement of investment instruments without the obligation to underwrite them.

Ancillary investment services

- Pursuant to Section 4(3)(a) of the Act: custody of investment instruments, including related services, in relation to investment instruments under Section 3(1)(a) through (k) of the Act;
- Pursuant to Section 4(3)(c) of the Act: provision of advisory services related to capital structure, industrial strategy and related matters, and services relating to corporate transformations or business transfer;
- Pursuant to Section 4(3)(d) of the Act: provision of investment recommendations and investment opportunity analyses or other similar general recommendations regarding trading investment instruments, in relation to investment instruments under Section 3(1)(a) through (k) of the Act.

Sole shareholder:

CZI Holdings N.V.
Amsterdam, Strawinskylaan 933, Post code: 1077XX,
Kingdom of Netherlands
Business ID No.: 342 45 976

Changes and amendments registered in the Commercial Register during the prior accounting period:

The following changes were registered in the Commercial Register during the prior accounting period:

7 January 2011 – Registration of business objective specification pursuant to Act. No. 230/2008 Coll. amending the Act No. 256/2004 on undertaking on capital market

7 January 2011 – Registration of termination and reappointment of Mr. Petr Dobiáš to the Board of Directors (office expired on 28 November 2010 and reappointment was made on 29 November 2010)

10 February 2011 – Registration of termination and reappointment of Mr. Marcel Dostal to the Supervisory Board (office expired on 1 February 2011 and reappointment was made on 1 February 2011)

Other information about the Company

The Company's registered share capital amounts to CZK 52 million. As at 31 December 2011, the company's equity amounted to CZK 420 million. In 2011, the Company generated profit in the amount of CZK 166 million. The table below sets out some other quantitative indicators:

1. Capital figures

a. aggregate information on the conditions and main characteristics of capital and capital components, including instruments as per Section 55b of Decree No. 123/2007, Coll.:

   The Company's capital amounts to CZK 252,512 thousand and comprises a Tier 1 component amounting to CZK 253,473 thousand less deductible items totalling CZK 961 thousand. The total original capital amount (Tier 1 component) is made up of paid basic capital of CZK 52,000 thousand, statutory reserve funds amounting to CZK 10,400 thousand and retained profits from previous periods amounting to CZK 191,720 thousand less intangible assets amounting to CZK 647 thousand.

b. Capital figures as per Section 1(b) to (f) of Appendix 30 of Decree No. 123/2007, Coll.:

Date		31.12.2011
A	B	CZK thousand
Capital	**1**	**252,512**
Original capital (Tier 1)	**2**	**253,473**
Paid up share capital registered in the Commercial Register	3	52,000
Treasury stock	4	-
Share premium	5	-
Reserve funds and retained profits	**6**	**202,120**
Statutory reserve	7	10,400
Other reserve funds from division of profits	8	-
Retained profits from previous periods	9	191,720
Profit for the accounting period after taxation	10	-
Unrecovered losses from previous periods	11	-
Final exchange differences from consolidation	12	-
Profit for the current accounting period	13	-
Loss for the current accounting period	14	-
Net profit from capitalisation of future income from securitisation	15	-

Date		31.12.2011
A	B	CZK thousand
Profit/loss from valuation of liabilities at fair value due to credit risk	16	-
Other deductible items from original capital	17	647
Goodwill	18	-
Intangible assets other than goodwill	19	647
Negative valuation difference from changes in the fair value of realisable capital instruments	20	-
Participating securities issued by a person with a qualified participation in the bank	21	-
Hybrid instruments total (Σ)	**22**	-
Hybrid instruments recognized up to amount of original capital	23	-
Hybrid instruments recognized up to amount of 35% of original capital	24	-
Hybrid instruments recognized up to amount of 15% of original capital	25	-
Additional capital (Tier 2)	**26**	-
Primary additional capital	**27**	-
Excess coverage of expected credit losses (using IRB)	28	-
Excess of the limits for hybrid instruments	**29**	-
Secondary additional capital	**30**	-
Subordinated debt A	31	-
Positive valuation difference from changes in the fair value of realisable shares and investment certificates	32	-
Deductible items from original and additional capital (Tier 1 + Tier 2)	**33**	**961**
Capital investments above 10% into banks and other financial institutions	34	-
Capital investments above 10% into insurance companies	35	-
Capital investments up to 10% into institutions and financial institutions	36	-
Significant prudential adjustments with respect to market valuation or model valuation	37	-
Exposure from securitisation with a 1250% risk weight	38	-
Insufficient coverage of expected credit losses (using IRB)	39	-
Reinforcement of other than significant prudential adjustments above subordinated debt B	40	961
Free supply deduction	41	-
Capital to cover market risk (Tier 3)	**42**	-
Subordinated debt B	43	-
Other than significant prudential adjustments with respect to market valuation or model valuation	44	-

2. Capital requirement figures

Date		31.12.2011
A	B	CZK thousand
Total capital requirement	**1**	**63,760**
Total capital requirement for credit risk	**2**	**17,856**
Total capital requirement for credit risk (using STA)	**3**	**17,856**
Total capital requirement for credit risk using STA for exposure	**4**	**17,856**
Capital requirement using STA for exposure towards central governments and banks	5	-
Capital requirement using STA for exposure towards regional governments and local authorities	6	-
Capital requirement using STA for exposure towards public bodies and others	7	-
Capital requirement using STA for exposure towards international development banks	8	-
Capital requirement using STA for exposure towards international organisations	9	-
Capital requirement using STA for exposure towards institutions	10	17,616
Capital requirement using STA for corporate exposure	11	24
Capital requirement using STA for retail exposure	12	-
Capital requirement using STA for exposure secured by real estate	13	-
Capital requirement using STA for overdue exposure	14	-
Capital requirement using STA for regulatorily high risk exposure	15	-
Capital requirement using STA for covered bond exposure	16	-
Capital requirement using STA for short-term exposure towards institutions and corporate exposure	17	-
Capital requirement using STA for exposure towards collective investment funds	18	-

Date		31.12.2011
A	B	CZK thousand
Capital requirement using STA for other exposure	19	216
Total capital requirement for exposure using STA in IRB	20	-
Capital requirement using STA in IRB for exposure towards central governments and banks	21	-
Capital requirement using STA in IRB for exposure towards institutions	22	-
Capital requirement using STA in IRB for corporate exposure	23	-
Capital requirement using STA in IRB for retail exposure	24	-
Capital requirement using STA in IRB for share exposure	25	-
Capital requirement using STA in IRB for other exposure	26	-
Capital requirement for credit risk using STA for securitised exposure	27	-
Total capital requirement for credit risk using IRB	28	-
Total capital requirement for credit risk using IRB for selected exposure	29	-
Capital requirement using IRB for exposure towards central governments and banks	30	-
Capital requirement using IRB for exposure towards institutions	31	-
Capital requirement using IRB for corporate exposure	32	-
Capital requirement using IRB for retail exposure	33	-
Capital requirement for credit risk using IRB for share exposure	34	-
Capital requirement for credit risk using IRB for securitised exposure	35	-
Capital requirement for credit risk using IRB for other exposure	36	-
Capital requirement for settlement risk	37	-
Total capital requirement for position, currency and commodity risk	**38**	-
Total capital requirement for market risk using the standard approach (STA)	39	-
Capital requirement using STA for interest risk	40	-
Capital requirement using STA for share risk	41	-
Capital requirement using STA for currency risk	42	-
Capital requirement using STA for commodity risk	43	-
Capital requirement for market risk using an approach based on internal models	44	-
Total capital requirement for operational risk	**45**	**45,904**
Capital requirement for operational risk using BIA	46	45,904
Capital requirement for operational risk using TSA	47	-
Capital requirement for operational risk using ASA	48	-
Capital requirement for operational risk using AMA	49	-
Capital requirement for corporate portfolio exposure risk	50	-
Capital requirement for other corporate portfolio instruments	51	-
Transitional capital requirement – adjustment to Basel 1	52	-

3. Index ratios

1. Capital adequacy	*31.68%*
2. Debt / Equity I (total liabilities excluding customers' assets / equity excluding customers' assets)	*6.39%*
3. Debt / Equity II (total liabilities excluding customers' assets / equity)	*6.83%*
4. Return on average assets (ROAA, assets excluding customers' assets)	*38.86%*
5. Return on average equity tier 1 (ROAE)	*69.61%*
6. Return on sales (net profit / income from investment services)	*47.85%*
7. Administrative expenses per employee (in CZK)	*2,625.35*

Additional information

During 2011, the Company incurred no research and development costs, acquired none of its own shares nor the shares of the controlling party and the Company has no foreign branches.

Board of Directors' Report

Characteristics of the economy and financial markets development in 2011

1. Czech economy under the influence of a slowdown in global growth and weak domestic demand

Since spring of last year the global economy has been facing unfavourable factors in the form of an increase in oil prices (prices escalated in connection with developments in Libya, and in the case of oil importers, which is the majority of developed European economies, the oil price increase acts as a negative supply shock) and the disastrous earthquake in Japan (temporary negative effect on worldwide industrial activity). The supply cycle has also begun to play a negative role on the global level. A specific and very serious factor for the eurozone was the ongoing debt crisis, with its negative impact on the wealth and activities of banks and on the sentiments of businesses and consumers. Thus eurozone GDP has showed growth in 1Q2011 of 0.8% Q/Q; during 2Q and 3Q 2011, however, GDP growth slowed practically to stagnation, and in 4Q2011 GDP has showed decrease of -0.3% Q/Q and further Q/Q drop (i.e., technically a recession) indicating GDP development in 1Q2012. During 2011 GDP growth in the eurozone has reached 1.5%: less than could be promised by data for the first months of last year. Exports and investments (gross creation of fixed capital) were the primary driving forces behind growth in the eurozone. All of the above had a negative influence on the Czech economy, which is strongly export-oriented. On the side of domestic demand the performance of the Czech economy was facing restrictive impact of fiscal measures taken by the Czech government – and in the case of the Czech economy, the supply development contribution has gradually crossed over into the negative. In 2011, the growth of Czech GDP reached 1.7 %, with net exports in fact being the only driving force behind growth. For 2012, stagnation of the Czech economy can roughly be expected in connection with national budgetary measures (January's increase in the VAT rate and its negative impact on consumption) as well as GDP stagnation in the eurozone (negative impact on exports from the Czech Republic). Our estimate of GDP growth for the Czech Republic for this year is thus only 0.1%, on the grounds that developments in the eurozone and developments in oil prices represent a risk of achieving of even weaker Czech GDP result in 2012.

DEVELOPMENT OF SELECTED VARIABLE		2009	2010	2011
World GDP (IMF)	*(actual change in %)*	-0.7	5.2	3.8
Eurozone GDP	*(actual change in %)*	-4.3	1.9	1.5
Czech GDP	*(actual change in %)*	-4.7	2.7	1.7
EMU inflation	*(HCP, average in %)*	0.3	1.6	2.7
Czech inflation	*(CPI, average in %)*	1.0	1.5	1.9
Oil price	*(Brent, average in $)*	62.0	79.7	111.0
EUR/USD	*(annual average)*	1.39	1.33	1.39
EUR/CZK	*(annual average)*	26.44	25.29	24.59
FED	*(basic interest in %, year end)*	0.25	0.25	0.25
ECB	*(basic interest in %, year end)*	1.00	1.00	1.00
CNB	*(basic interest in %, year end)*	1.00	0.75	0.75
10Y IRS USD	*(in %, year end)*	3.96	3.36	2.02
10Y IRS EUR	*(in %, year end)*	3.58	3.30	2.38
10Y IRS CZK	*(in %, year end)*	3.54	3.14	2.17
S&P 500	*(level of year end)*	1115.1	1257.9	1257.6
Eurostoxx 50	*(level of year end)*	2965.0	2792.8	2316.6
PX	*(level of year end)*	1117.3	1224.8	1081.8

Source: Bloomberg, IMF

Inflation in the Czech economy for the whole last year was on average 1.9%, which is slightly below the two percent inflation target set by the CNB. In 4Q 2011 YOY inflation exceeded 2.0%, mainly due to the food price development, which was projecting forthcoming increase of the relevant VAT rate, which became effective this January, in advance. Further acceleration of inflation followed in 1Q 2012, with inflation rising to 3.8 %; nevertheless, just like during 2011, inflation is driven by food and energy prices and tax changes, whereas demand inflation is practically not existing in the Czech Republic, therefore there is no reason for the CNB to respond to the increase in inflation, as it is basically triggered by transitional factors. The CNB has kept its interest rates on the same level since their last reduction in May 2010 and its two-week repo rate at 0.75 %. We expect the CNB rates to remain steady for the whole 2012 year as well.

The Czech Crown strengthened in average by 2.8 %; nevertheless, during the year it was affected by the negative impact of the debt crisis in the eurozone and developments in Hungary on investor sentiments towards Central European currencies – so Czech Crown was under negative pressure in 4Q 2011. The development of payment balances nevertheless remained favourable and the Czech Crown should again strengthen in 2012. Public finances last year showed a deficit equal to 3.1% of GDP, with the original target for the annual deficit having been set at 4.6 %. The target deficit for this year was originally set at 3.2% of GDP: the result for 2011 provides for a better starting point; however, opposing this is the weaker performance of the Czech economy than originally anticipated in the government's fiscal outlook, which is why the government is preparing to cut its expenditure this year and take further economic measures, which are to be implemented in 2013 and 2014.

2. The European debt crisis and concerns about a slowdown in global growth were dominating developments of the financial markets

The European debt crisis and concerns about the slowdown in global growth were the main topics influencing events on the financial markets in 2011 and causing risk assets to perform poorly, despite the beginning of the year having look relatively favourable. Economic data pointed to continuing slight recovery of the global economy, risk premiums were falling, share prices were growing, and credit spreads were narrowing. During the year, however, the situation deteriorated dramatically. The global economy was hit by singular events (earthquake in Japan, turbulence in the Middle East and the subsequent rise in oil prices), culminated by debate on the debt ceiling in the USA and following increase of political uncertainty and a deterioration of sentiment on the financial markets.

During summer the European debt crisis escalated dramatically, as it had spread from the small peripheral countries (Greece, Ireland, and Portugal) to Italy and Spain, and in 4Q 2011, the increase in risk premiums even for countries in the core of the eurozone (France and Belgium) became perceptible. Negative impacts on the real economy soon followed. The sentiment of indicators fell sharply and the economy of the eurozone entered into a recession at the turn of years 2011/2012. Escalation of the European debt crisis led to a sharp rise in risk premiums and a drop in risk assets. Government and monetary authorities tried to reduce the tension on the financial markets and gradually acceded to standard and often less standard measures in support of the economy.

In 2011, the stock market recorded substantially varying returns in each region. Whereas American shares ended up more or less unchanged last year, shares on the emerging markets decreased by 11% and the shares of Western Europe by more than 17%.

The vast majority of European credit instruments brought positive total returns in 2011. Behind this, of course, was the substantial drop in risk-free rates, as credit spreads had expanded both in the case of financial instruments and non-financial instruments. Relatively speaking, non-financial instruments did the best with total returns of 3.9%, while subordinated financial credit fared the worst at -8.7%.

Returns on G2 government bonds continued to fall due to the outflow of investors to risk-free instruments during the escalation of the debt crisis in the eurozone and due to investors' concerns about possible future deflationary environment. The returns on German 10Y government bonds fell in 2011 by 113 bp to 1.83% and returns on American 10Y government bonds by as much as 142 bp to 1.88%. Total returns on 10Y government bonds thus reached 9.9% for the USA and 9.7% for Germany in 2011.

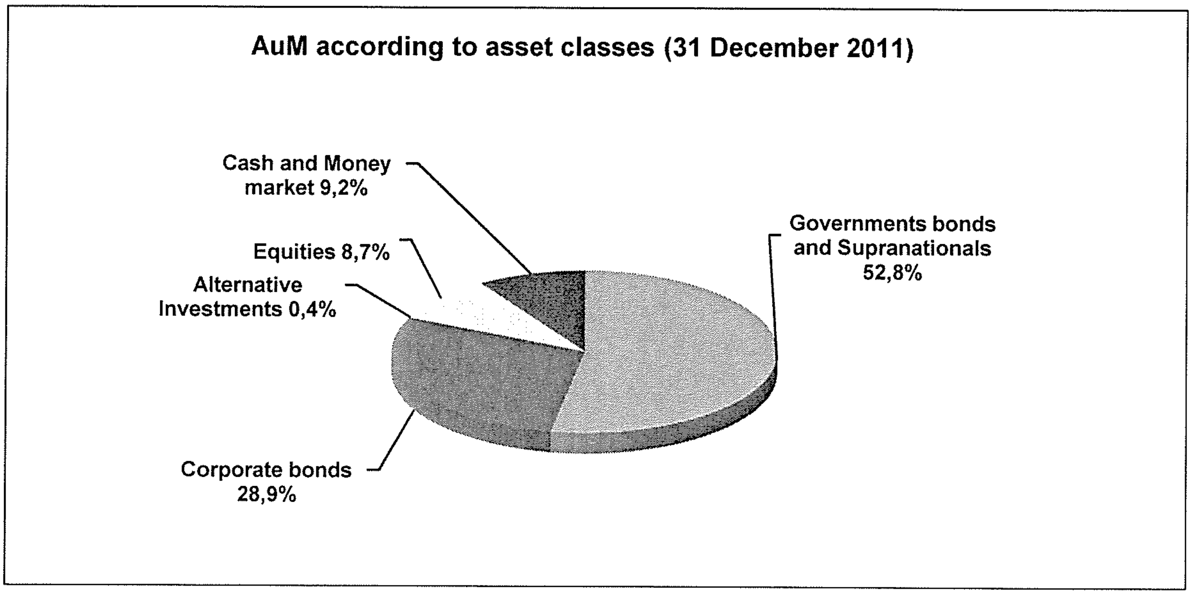
The returns on Czech government bonds fell much less and the credit surcharge of the Czech state has expanded perceptibly: the spreads on 10Y CZGB against the Bund grew from 98 to 176 bp.

2011 from the perspective of portfolio performance

From the perspective of portfolio performance 2011 was a year of two very different halves. Whereas in the first half of the year portfolios were benefiting from the growth of risk assets prices and their performance exceeded our initial expectations, the second half was hit by a drop in the markets for practically all securities (with the exception of a small number of assets that continued to be deemed risk-free, such as American and German government bonds). This fall was caused by a combination of factors, among which the most significant is the expanding European debt crisis. We have to admit that although we have expected problems arising from this crisis, we were surprised by its depth, which at certain moments was heading to recurrence of 2008, entitled with primacy of the worst year in decades.
Nevertheless, as mentioned above, we have considered European debt crisis to be a potentially serious problem in the long-term. Thanks to this, we tried to build our clients' portfolios in a way that would allow them to take part in the long-term growth of risk assets, but, at the same time, would be as safe as possible in case the debt crisis became worse.

This approach included the following:

- Greater concentration on investment in credit as part of strategic allocation.
- Focus on fundamentally healthy companies in the area of credit investment. We have managed to avoid investment in credits tied to the debt crisis on the periphery of Europe, focusing instead on various issuers from "healthy" countries, especially in our region.
- Focus on the simplest instruments. Within the possibilities of the various portfolios, we always gave preference to simpler instruments over complex ones.
- Greater emphasis on the liquidity of securities. We were only willing to accept less liquid securities in the case of a high liquidity premium.
- Focus on the CEE region and Russia when investing into shares.
- Active use of opportunities presented by each crisis. In this case we can mention, e.g., the temporary substantial dilation of credit spreads of government bonds of even fundamentally very strong countries such as Slovakia.

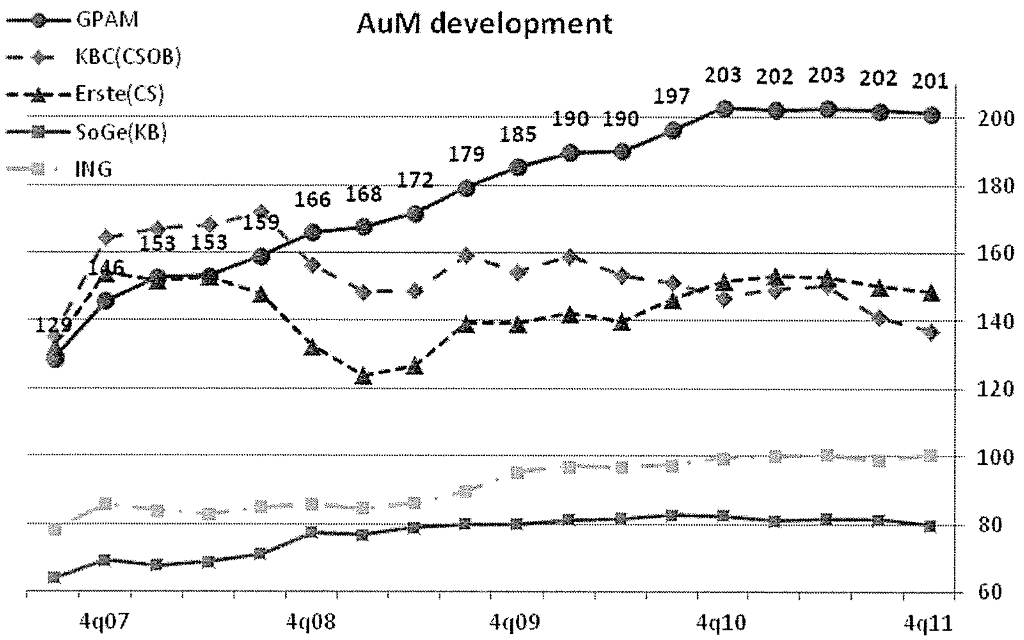


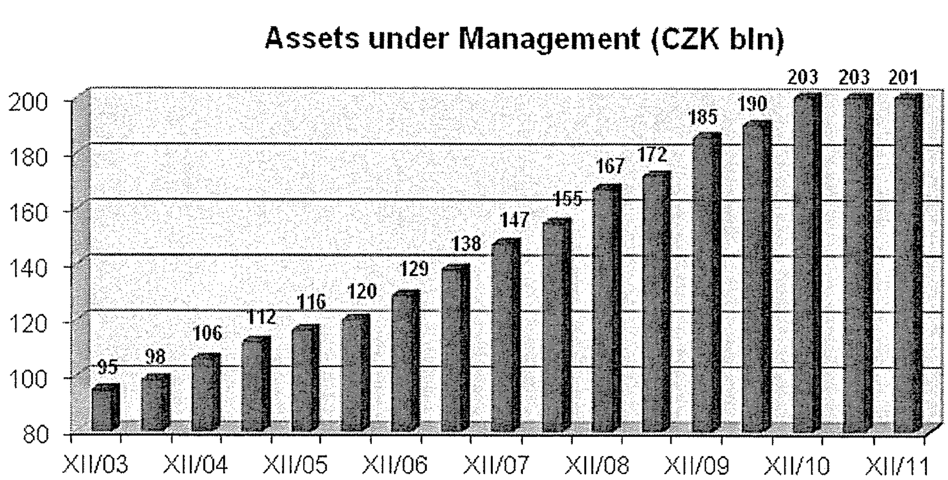
Absolute returns on our clients' portfolios were, due to the ongoing crisis in 2011, generally lower than originally anticipated by us. With regard to the aforementioned circumstances, we believe them to be very good and believe that they confirm the correctness of the investment philosophy applied by us in connection with asset management. For illustration we would like to mention, that absolute returns on most mixed portfolios were positive in 2011 despite the drop in risk asset prices on one hand and record low interest rates on the other. We can also mention the ČP Invest funds managed by us, which generally attained results that were better or comparable with the funds of competitors. We can highlight, for example, the Corporate Bond Fund and the Money Market Fund of ČP Invest, which have long been at the top of their categories.

Company performance, AuM, position on the Czech market

After an extremely good 2009 and very good 2010, the crisis year of 2011 was a test for our Company in terms of whether it is able to produce just as good results in (not only) worse times from the perspective of investment. Both the results of the managed portfolios and our position on the market demonstrate that we have passed the test.

- The appreciation of our clients' portfolios may not have attained, in absolute terms, the levels of previous years, but they were very good with regard to the investment environment of 2011, as described above.
- The Company's profit level exceeded CZK 166 million.
- Assets under management fell slightly to CZK 201 billion; despite this fact, the Company still managed to confirm its leading position on the Czech market. According to AKAT, we are:
  - the asset manager with the greatest amount of AuM on the institutional client market, with a market share of more than 35%,
  - number one on the entire Czech market, with a market share of more than 25%.
  - the fastest growing big asset manager over the long-term. In the last 4 years, the volume of the assets managed by us grew by more than 38 %, whereas growth on the entire market was only 11 %.





Conclusion

Last year was one of the most “challenging” in light of the ongoing European debt crisis. We are confident that we have been able to stand our ground honourably and, with regard to the circumstances, achieve very good results in connection with the management of our clients’ portfolios.

Our long-term targets remain unchanged: we would like to achieve above-average results over the long term and provide services of the highest quality. Our basic principle continues to be a detailed understanding of the needs of our clients ensuing from relationship based on trust. The individual needs of our clients are important to us.

We would like to thank all our staff for their hard work, without which we would not be able to achieve our set goals successfully and over the long-term.

Prague, 30 March 2012

Kateřina Jirásková
Member of the Board of Directors
Generali PPF Asset Management a.s.

Petr Dobiáš
Member of the Board of Directors
Generali PPF Asset Management a.s.

Generali PPF Asset Management a.s.,

with its registered office in Prague 6, Dejvice, Evropská 2690/17,
Post code: 160 41, Business ID Number: 25629123, registered in the Commercial Register maintained by the Municipal Court in Prague under file No. B. 5073 on 3 December 1997

Report of the Board of Directors on the Business Performance and State of Assets, ordinary financial statements of Generali PPF Asset Management a.s. for the 2011 accounting period

One of the main tasks of today's decision of the sole shareholder acting in the capacity of the General Meeting of Generali PPF Asset Management a.s. is to approve the financial results of Generali PPF Asset Management a.s. for the 2011 accounting period.

The balance sheet of Generali PPF Asset Management a.s. as at 31 December 2011 shows assets totalling CZK 449,113 thousand structured as follows:

- Cash in hand: CZK 47 thousand
- Due from banks: CZK 433,780 thousand
- Due from nonbanking entities: CZK 10,171 thousand
- Long-term tangible and intangible fixed assets: CZK 1,608 thousand
- Other assets: CZK 2,632 thousand
- Prepayments and accrued income: CZK 875 thousand

Liabilities totalling CZK 449,113 thousand are structured as follows:

- Liabilities due to nonbanking entities: CZK 1 thousand
- Other liabilities: CZK 26,713 thousand
- Deferred income and expense: CZK 182 thousand
- Equity: CZK 420,329 thousand
- Provisions for taxes: CZK 1,888 thousand

Equity comprises the following:

- Company's registered share capital in the amount of CZK 52,000 thousand
- Reserve funds and other revenue reserves: CZK 10,400 thousand
- Retained earnings from previous periods: CZK 191,720 thousand
- Profit of the current accounting period: CZK 166,209 thousand

Main data from the Income statement:

- Profit on ordinary activities before taxation for the accounting period: CZK 205,544 thousand
- Profit on extraordinary activities before taxation for the accounting period: CZK 0 thousand
- Income tax: CZK 39,335 thousand
- Profit after taxation for the current accounting period: CZK 166,209 thousand

Prague, 30 March 2012

....	....
Kateřina Jirásková	Petr Dobiáš
Member of the Board of Directors	Member of the Board of Directors
Generali PPF Asset Management a.s.	Generali PPF Asset Management a.s.

Generali PPF Asset Management a.s.,

with its registered office in Prague 6, Dejvice, Evropská 2690/17, Post code: 160 41, Business ID Number: 25629123, registered in the Commercial Register maintained by the Municipal Court in Prague under file No. B. 5073 on 3 December 1997

Data about the amount of the base for calculation of the contribution to the Securities Traders' Guarantee Fund

As a securities trader, Generali PPF Asset Management a.s. pays an annual contribution of 2% of the volume of income from fees and commissions for investment services provided for the last calendar year, but no less than CZK 10,000, to the Securities Traders' Guarantee Fund in accordance with Article 129 of Act No. 256/2004 Coll., on Business Activities on the Capital Market, as amended. This contribution is payable by 31 March each year for the preceding year.

Income from fees and commissions for investment services provided in 2011 amounted to CZK 347,372 thousand; the contribution to the Securities Traders' Guarantee Fund was calculated at 2% of this volume of income from fees and commissions, and an amount of CZK 6,947 thousand was settled on 27 March 2012 by bank transfer to the bank account of the Securities Traders' Guarantee Fund.

APPENDIX No. 1

Generali PPF Asset Management a.s.

Independent auditor's report and financial statements

For the year ended 31 December 2011

Independent auditor's report

to the shareholder of Generali PPF Asset Management a.s.

We have audited the accompanying financial statements of Generali PPF Asset Management a.s., identification number 256 29 123, with registered office at Evropská 2690/17, Dejvice, Praha 6 ("the Company"), which comprise the balance sheet as at 31 December 2011, the income statement and statement of changes in equity for the year then ended and notes, including a summary of significant accounting policies ("the financial statements").

Statutory Body's Responsibility for the Financial Statements

The Statutory Body is responsible for the preparation of the financial statements that give a true and fair view in accordance with Czech accounting legislation, and for such internal controls as the Statutory Body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors of the Czech Republic, International Standards on Auditing and the related application guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers Audit, s.r.o., Kateřinská 40/466 Prague 2, Czech Republic
T: +420 251 151 111, F:+420 251 156 111, www.pwc.com/cz

pwc

Shareholder of Generali PPF Asset Management, a.s.
Independent auditor's report

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2011 and its financial performance for the year then ended in accordance with Czech accounting legislation.

20 March 2012

PricewaterhouseCoopers Audit, s.r.o.
represented by partner

Petr Kříž
Statutory Auditor, Licence No. 1140

Note

Our report has been prepared in the Czech language and in English. In all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over the English version.

Generali PPF Asset Management a.s.
Residence: Evropská 2690/17, 160 41, Dejvice, Prague 6
Identification number: 25 629 123
Legal form: joint-stock company
Primary business: securities trade according to special law
Balance sheet date: 31 December 2011
Date of preparation: 20 March 2012

Balance sheet

as at 31 December 2011

(CZK'000)	Note	31 December 2011	31 December 2010
ASSETS			
Cash		47	65
Due from banks	3	433,780	432,642
a) repayable on demand		5,445	4,762
b) other receivables		428,335	418,880
Due from nonbanking entities - other	4	10,171	11,498
Long-term intangible fixed assets	5	647	1,069
Long-term tangible fixed assets	5	961	1,038
Other assets	6	2,632	368
Prepayments and accrued income		875	436
Total assets		**449,113**	**438,116**
LIABILITIES AND EQUITY			
Liabilities against non-bank institutions	8	1	-
Other liabilities	9	26,713	25,461
Accruals and deferred income	10	182	-
Provisions for taxes	7	1,888	13,975
Share capital fully paid	11	52,000	52,000
Statutory reserve fund	11	10,400	10,400
Retained earnings from previous periods	11	191,720	155,468
Profit for the accounting period	11	166,209	180,812
Total liabilities and equity		**449,113**	**438,116**

Off-balance sheet

As at 31 December 2011

(CZK'000)	Note	31 December 2011	31 December 2010
Off-balance sheet liabilities:			
Assets held under custody	12	142	150
Assets under management	12	203,627,064	204,584,938
Total off-balance sheet liabilities		**203,627,206**	**204,585,088**

Income statement
for the year ended 31 December 2011

(CZK'000)	Note	2011	2010
Interest and similar income	13	5,455	6,386
Fee and commission income	14	347,372	354,946
Fee and commission expense	15	(120)	(224)
Gains less losses from financial transactions	16	(302)	(403)
Other operating income	17	1,386	2,861
Other operating expense	18	(13,254)	(14,754)
Administrative expense	19	(133,718)	(124,302)
of which: a) staff costs		(93,777)	(85,643)
of which: aa) wages and salaries		(71,720)	(66,947)
ab) social and health insurance		(17,808)	(15,117)
b) other administrative expenses		(39,941)	(38,659)
Depreciation for long-term tangible and intangible fixed assets	5	(1,275)	(1,024)
Profit on ordinary activities before taxation		**205,544**	**223,486**
Income tax	7, 20	(39,335)	(42,674)
Profit for the accounting period after taxation		**166,209**	**180,812**

Statement of changes in equity
for the year ended 31 December 2011

(CZK'000)	Share capital	Statutory reserve fund	Retained earnings	Total
Balance as at 1 January 2010	**52,000**	**10,400**	**254,060**	**316,460**
Net profit for the accounting period	-	-	180,812	180,812
Dividends	-	-	(98,592)	(98,592)
Balance as at 31 December 2010	**52,000**	**10,400**	**336,280**	**398,680**
Net profit for the accounting period	-	-	166,209	166,209
Dividends	-	-	(144,560)	(144,560)
Balance as at 31 December 2011	**52,000**	**10,400**	**357,929**	**420,329**

1. General information

Generali PPF Asset Management a.s. (hereinafter referred to as "the Company") was incorporated on 3 December 1997.

The Company's operations primarily consist of:

- management of the portfolios of institutional clients and related investment services;
- investment consulting;
- securities trading and the provision of supplementary investment services.

The departments of the Company are as follows: Portfolio Management department, Market Analysis department, Risk Management department, Project Management department, Internal Processes department (this includes the Back Office and administrative section and the Middle Office section), Financial department, Commerce section and Compliance section. IT Support (which is outsourced to an external provider from the Group) and the Internal Audit function also fall within the competence of the Internal Processes department.

The Company is owned by the sole shareholder:

CZI Holdings N.V.
Tower B, Strawinskylaan 933
1077XX Amsterdam
The Netherlands
Identification number: 342 45 976

The ultimate owner of the Company is Assicurazioni Generali S.p.A.

2. Accounting policies

2.1. Basis of preparation

The financial statements, comprising a balance sheet, statement of income and statement of changes in equity and accompanying notes, are prepared in accordance with the Act on accounting and the applicable accounting rules set by the Ministry of Finance of the Czech Republic. The financial statements are prepared under the historical cost convention.

The financial statements are rounded to thousands of Czech Crowns (CZK'000) unless stated otherwise.

2.2. Transaction date

Transaction date refers to, in particular, the day of payment or takeover of a currency; the day of purchase or sale of a foreign currency and securities; the day payment or collection is made from the client's bank account; the day (foreign currency) funds are credited according to the incoming report from the bank. In case of securities transactions, the transaction date refers to the day of negotiating a securities transaction.

2.3. Foreign currencies

Financial assets and liabilities denominated in foreign currencies are translated to Czech Crowns at the exchange rate announced by the Czech National Bank (hereinafter referred to as "CNB") effective at the balance sheet date. Resulting foreign exchange gains and losses are recognised in gains less losses from financial transactions.

2.4. Fee and commission income

The custody and management fee and the fee for advisory service is recognised based on the applicable service contracts, on an accrual basis.

2.5. *Interest income*

Interest income is recognised for all interest bearing instruments on an accrual basis using the effective interest method based on the acquisition cost.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows until maturity or the nearest change of interest rate to the net carrying amount of the financial asset.

2.6. *Receivables*

Receivables originated by the Company are stated at nominal value less allowances.

2.7. *Provisions*

Provisions are recognised when the Company has a present obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. All provisions are presented in liabilities.

In the reporting period, the Company creates a provision for tax due and recognises this in liabilities only in the amount of the tax underpayment due. In the event that the tax advance payments exceed the anticipated tax payable, then the provision for tax due is not recognised and the anticipated overpayment of tax advance payments (the difference between advances paid and the provision created) is recognised in assets as a receivable.

The Company recognises the full anticipated amount of tax due as an expense in the appropriate income statement line. Release or utilisation of provision is recognised in the income statement together with income tax due.

2.8. *Long-term tangible and intangible fixed assets*

Tangible fixed assets are recorded at cost and depreciated by applying the straight-line basis over their estimated useful lives. The estimated useful life of the asset is usually set according to the tax life or contractually as a right of use for a definite period. Intangible fixed assets are amortised by applying the straight-line basis, starting from the month after being put into use, for the duration of the useful life.

The periods of depreciation / amortisation for individual categories of tangible and intangible fixed assets are as follows:

Software	36 months or the duration contractually fixed
Low value intangible fixed assets	24 - 48 months
Machinery and equipment	3 - 4 years
Motor vehicles	4 years
Inventory	4 - 5 years
Low value tangible fixed assets	2 - 4 years

Based on the decision of the Company, intangible assets with a unit cost of less than CZK 60,000 and tangible assets with a unit cost of less than CZK 40,000 and a useful life longer than one year are depreciated based on the estimated useful life of the asset applying the percentage rate for individual months after being put into use.

Other intangible and tangible assets not recognised as long-term fixed assets are expensed in the period in which they were acquired and recorded in the operational evidence.

2.9. Value added tax

As at 1 January 2009 the Company became part of a group, which is registered for value added tax (hereinafter "VAT"), whereas representative member of the group is Česká pojišťovna a.s. To a large extent, the Company together with the group realise tax-exempt supplies without the entitlement to a tax deduction, but also make supplies that are entitled to a tax deduction as well as taxable supplies. Therefore, the group reduces the tax deduction in respect of taxable supplies received.

2.10. Deferred taxation

Deferred tax is recognised on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base using the full liability method. A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which this asset can be utilised.

The approved tax rate for the period in which the Company expects to utilise the asset is used for the deferred taxation calculation.

2.11. Staff costs, pensions and social fund

Staff costs are included in Administrative expense and they include also board emoluments.

The Company makes contributions on behalf of its employees to a defined contribution pension plan. Contributions paid by the Company are accounted for directly as an expense.

Regular contributions are made to the State to fund the national pension plan.

2.12. Related parties

The Company defined its related parties in accordance with Decree No. 501/2002 Coll. and IAS 24, related parties are considered related upon meeting the following conditions:

a) directly, or indirectly through one or more intermediates, the party:
   i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
   ii) has an interest in the entity that gives it significant influence over the entity; or
   iii) has joint control over the entity;
b) the party is an associate of the entity;
c) the party is a joint venture in which the entity is a venture;
d) the party is a member of the key management personnel of the entity or its parent;
e) the party is a close member of the family of any individual referred to in (a) or (d);
f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e) or such an individual directly or indirectly has significant voting power in such an entity; or
g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of (g) any entity that is a related party of the entity.

A transaction between related parties is the transfer of resources, services or liabilities among related parties regardless of whether a price is charged for the transaction.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the contractually agreed sharing of control over an economic activity.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies. Significant influence may be gained by share ownership, statute or agreement.

Material transactions and outstanding balances with related parties are disclosed in Notes 3, 4, 6, 9, 11, 13, 14, 15 and 20.

2.13. Subsequent events

The effects of events, which occurred between the balance sheet date and the date of preparation of the financial statements, are reflected in the financial statements in the case that these events provide further evidence of conditions, which existed at the balance sheet date.

Where significant events occur subsequent to the balance sheet date but prior to preparation of the financial statements that are indicative of conditions which arose subsequent to the balance sheet date, the effects of these events are disclosed, but are not themselves reflected in the financial statements.

3. Due from banks

(CZK'000)	31 December 2011	31 December 2010
Current accounts with banks	5,445	4,762
Term deposits with banks	428,335	418,236
Other receivables due from banks	-	644
Total due from banks	**433,780**	**423,642**
Of which from related party – PPF banka a.s.	433,456	422,679

The Company predominantly uses the banking services of the related company PPF banka a.s. Other receivables due from banks as at 31 December 2010 was represented by receivable due from credit institution from EU in amount of 644,000 arising from financial activities. The Company does not have balances on foreign bank accounts in the reporting periods.

4. Due from nonbanking entities

4.1. Receivables by type of debtor

(CZK'000)	31 December 2011	31 December 2010
Receivables from non financial organisations - individuals	208	961
Receivables from non financial organisations - legal entities	94	148
Receivables from financial organisations - collective investment entities	2,274	1,304
Receivables from financial organisations - pension funds	3,939	3,730
Receivables from financial organisations - insurance companies	3,656	5,355
Total	**10,171**	**11,498**

4.2. *Receivables from related parties*

Standard receivables from companies and individuals include the following receivables from related parties:

(CZK'000)	31 December 2010	Additions	Disposals	31 December 2011
Receivables against non financial organisations – legal entities, of which:	**148**	**5,882**	**(5,936)**	**94**
Open Gate - Boarding school, Říčany, ID No: 27089941	3	60	(61)	2
The Kellner Family Foundation, ID No: 28902254	-	116	(111)	5
CZI Holding N.V. company, ID No: 34245976	-	2,875	(2,840)	35
Generali PPF Holding B.V.	145	2,831	(2,924)	52
Receivables against financial organisations – collective investment entities, of which:	**1,304**	**28,814**	**(27, 844)**	**2,274**
ČP Invest investiční společnost, a.s., Prague 1,ID No: 43873766	611	24,522	(24,516)	617
Generali PPF Invest PLC, Dublin, Ireland	693	4,292	(3,328)	1,657
Receivables against financial organisations – pension funds, of which:	**3,730**	**149,063**	**(148,854)**	**3 ,939**
Penzijní fond České pojišťovny a.s., Prague 1, ID No: 61858692	3,544	141,263	(141,086)	3,721
Generali penzijní fond a.s., Prague 2, ID No: 63998475	186	7,800	(7,768)	218
Receivables against financial organisations – insurance companies, of which:	**4,795**	**158,946**	**(160,173)**	**3,568**
Česká pojišťovna a.s., Prague 1, ID No: 45272956	2,262	84,386	(84,708)	1,940
Česká pojišťovna zdraví a.s., Prague 10, ID No: 49240749	31	1,214	(1,215)	30
Generali Slovensko poisťovňa, a.s., Bratislava, ID No: SK2021000487	404	13,698	(13,808)	294
Generali Pojišťovna a.s., Prague 2, ID No: 61859869	996	38,073	(38,189)	880
GP Reinsurance EAD, Bulgaria	1,102	21,575	(22,253)	424
Total receivables from related parties	**9,977**	**342,705**	**(342,807)**	**9,875**

5. *Long term intangible and tangible fixed assets*

5.1. *Long term intangible fixed assets*

(CZK'000)	Software	Other	Total
At 1 January 2010			
Cost	5,826	1,511	7,337
Accumulated amortisation	(4,994)	(1,423)	(6,417)
Net book amount	**832**	**88**	**920**
Year ended 31 December 2010			
Opening net book amount	832	88	920
Additions	550	66	616
Amortisation charge	(415)	(52)	(467)
Closing net book amount	**967**	**102**	**1,069**
At 31 December 2010			
Cost	6,376	1,577	7,953
Accumulated amortisation	(5,409)	(1,475)	(6,884)
Net book amount	**967**	**102**	**1,069**
Year ended 31 December 2011			
Opening net book amount	967	102	1 069
Additions	129	97	226
Amortisation charge	(568)	(80)	(648)
Closing net book amount	**528**	**119**	**647**
At 31 December 2011			
Cost	6,505	1,674	8,179
Accumulated amortisation	(5,977)	(1,555)	(7,532)
Net book amount	**528**	**119**	**647**

5.2. Long term operating tangible fixed assets

(CZK'000)	Property and plant	Equipment	Motor vehicles	Other	Total
At 1 January 2010					
Cost	1,351	135	4,813	1,763	8,062
Accumulated depreciation	(1,140)	(135)	(3,207)	(1,141)	(5,623)
Net book amount	**211**	**-**	**1,606**	**622**	**2,439**
Year ended 31 December 2010					
Opening net book amount	211	-	1,606	622	2,439
Additions	186	-	-	598	784
Disposals	(1)	-	(1,606)	(23)	(1,630)
Depreciation charge	(127)	-	-	(428)	(556)
Closing net book amount	**269**	**-**	**-**	**769**	**1,038**
At 31 December 2010					
Cost	1,401	135	-	2,186	3,722
Accumulated depreciation	(1,132)	(135)	-	(1,417)	(2,684)
Net book amount	**269**	**-**	**-**	**769**	**1,038**
Year ended 31 December 2011					
Opening net book amount	269	-	-	769	1 038
Additions	127	-	-	427	554
Disposals	-	-	-	(16)	(16)
Depreciation charge	(152)	-	-	(463)	(615)
Closing net book amount	**244**	**-**	**-**	**717**	**961**
At 31 December 2011					
Cost	1,447	135	-	2,309	3,891
Accumulated depreciation	(1,203)	(135)	-	(1,592)	(2,930)
Net book amount	**244**	**-**	**-**	**717**	**961**

5.3. Depreciation of long-term tangible fixed assets and amortization of long-term intangible fixed assets

(CZK'000)	2011	2010
Depreciation of tangible fixed assets	615	468
Amortisation of intangible fixed assets	648	556
Amortisation – disposal of fixed assets	12	-
Total depreciation and amortisation	**1,275**	**1,024**

6. Other assets

(CZK'000)	31 December 2011	31 December 2010
Other debtors	149	337
Due from employees	80	23
Receivables against the Financial Office from exempted tax	8	8
Deferred tax assets (note 20)	2,395	-
Total other assets	**2,632**	**368**
Of which from related parties	119	316

7. *Provisions*

The movements in provisions can be analysed as follows:

(CZK'000)	2011	2010
At 1 January	**13,975**	21,142
Additions	41,722	42,641
Release of provisions to reflect tax advances paid	(39,834)	(28,666)
Release of provisions - other	(13,975)	(21,142)
At 31 December	**1,888**	13,975

The Company recognises provisions for income taxes. Tax liability represents management's best estimate at the balance sheet date.

8. *Liabilities due to non-bank institutions*

The balance on Liabilities due to non-bank institutions account is represented by overpayment of advance payments for commission income in amount of CZK 1,000 due to related party from group holding (31 December 2010: CZK nil).

9. *Other liabilities*

(CZK'000)	31 December 2011	31 December 2010
Liabilities for social and health insurance	955	1,684
Amounts due to state budget	589	2,171
Amounts due to employees	3,273	11,539
Payables from settlement with customers	74	61
Deferred tax	-	1
Anticipated liabilities	12,661	783
Other liabilities	9,161	9,222
Total other liabilities	**26,713**	**25,461**
Of which due to related parties	1,851	**2,445**

As at 31 December 2011, anticipated liabilities are represented by accrual for bonuses and related social and health insurance in the amount of CZK 12,661,000. As at 31 December 2010, the anticipated liabilities are represented by uninvoiced operating expenses of CZK 783,000.

Other payables include a payable amounting to CZK 6,947,000 in respect of a contribution to the Guarantee Fund for Securities Traders (31 December 2010: CZK 7,099,000).

10. *Accruals and deferred income*

(CZK'000)	31 December 2011	31 December 2010
Accruals	79	-
Deferred income	103	-
Accruals and deferred income	**182**	-
Of which due to related parties	103	-

11. *Equity and profit distribution*

11.1. *Share capital*

(CZK'000)	31 December 2011	31 December 2010
Issued and paid up	52,000	52,000

The Company is required under the Commercial Code to allocate 5 % of annual profit to a non-distributable statutory reserve fund until the balance reaches 20 % of share capital. The Company's statutory reserve fund reaches the required 20 %.

11.2. *Profit distribution*

The net profit of CZK 166,209,000 for 2011 is proposed to be distributed as follows:

(CZK'000)	2011
Dividends	132,912
Retained earnings	33,297
Net profit	**166,209**

12. *Contingencies and commitments*

(CZK'000)	31 December 2011	31 December 2010
Assets held under custody		
Shares	142	150
Total assets held under custody	**142**	**150**
Assets under management		
Cash	12,910,257	21,447,420
Debt securities	165,610,292	155,668,270
Shares	9,454,946	10,676,147
Other assets	15,651,569	16,793,101
Total assets under management	**203,627,064**	**204,584,938**
Total	**203,627,206**	**204,585,088**

These assets are generally measured at fair value at the acquisition date.

Management considers that no present obligations were associated with these fiduciary duties at 31 December 2011 and 2010.

Assets held under management as at 31 December 2011 include assets received from related parties of CZK 202,647,268,000 (2010: CZK 203,515,392,000).

13. *Interest and similar income*

(CZK'000)	2011	2010
Interest income from related parties	5,455	6,386

Interest income comprise interest income from current accounts of CZK 7,000 (2010: CZK 16,000) and interest income from bank term deposits of CZK 5,448,000 (2010: CZK 6,370,000).

14. Fee and commission income

(CZK'000)	2011	2010
Asset management fees	344,284	347,703
Fees for advisory services	3,088	7,243
Total fee and commission income	**347,372**	**354,946**
Of which from related parties	342,750	340,882

15. Fee and commission expense

(CZK'000)	2011	2010
Domestic and foreign transfers	(57)	(51)
Brokerage fee	(63)	(173)
Total fee and commission expense	**(120)**	**(224)**
Of which from related parties	(46)	(39)

16. Net loss from financial transactions

(CZK'000)	2011	2010
Foreign exchange differences from trading with currency instruments	(50)	(8)
Other foreign exchange differences	(252)	(395)
Total net loss from financial transactions	**(302)**	**(403)**

17. Other operating income

(CZK'000)	2011	2010
Gains on sale of long-term fixed assets	37	1,541
Revenue from Kondor services and other analytical services	1,322	1,315
Other operating income	27	5
Total other operating income	**1,386**	**2,861**

18. Other operating expense

(CZK'000)	2011	2010
Contribution to Guarantee Fund	(6,947)	(7,099)
Contractual penalties	(3)	(39)
Unclaimed VAT	(5,871)	(5,593)
Property insurance and statutory liabilities	(197)	(177)
AKAT fee	(112)	(101)
Residual value of sold or disposed assets	(3)	(1,630)
Other operating expense	(121)	(115)
Total other operating expense	**(13,254)**	**(14,754)**

19. Administrative expense

(CZK'000)	2011	2010
Staff costs	(93,777)	(85,643)
Rent and lease charges	(11,552)	(10,156)
Legal advisory services	-	(118)
Services provided by the auditing company	(979)	(963)
- statutory audit of financial statements	(852)	(836)
- other assurance services	(50)	(50)
- other auditor's services	(77)	(77)
Outsourced internal audit	(828)	(828)
Other administration expenses	(26,582)	(26,594)
Total administrative expense	**(133,718)**	**(124,302)**

Staff costs can be analysed as follows:

(CZK'000)	2011	2010
Wages and emoluments of Board of Directors and other member of senior management	(27,887)	(27,175)
Emoluments of Supervisory Board	(24)	(77)
Other wages, personal costs and emoluments of employees	(48,058)	(43,274)
Social costs and health insurance	(17,808)	(15,117)
Total staff costs	**(93,777)**	**(85,643)**

Both members of the Board of Directors are executive members of the Company's seven-membered senior management.

Staff statistics

	2011	2010
Average number of employees	53	50
Number of members of the Board of Directors	2	2
Number of other members of senior management	5	5
Number of members of the Supervisory Board	3	3

20. Taxation

The income tax expense consists of the following:

(CZK'000)	2011	2010
Current tax expense	(41,722)	(42,641)
Deferred tax income /(expense)	2,395	(14)
Adjustment of prior year tax expense	(8)	(19)
Total income tax expense	**(39,335)**	**(42,674)**

Current tax can be analysed as follows:

(CZK'000)	2011	2010
Profit before taxation	**205,544**	**223,486**
Difference between accounting and tax depreciation	(10)	(116)
Non-deductible income	-	(189)
Non-deductible expenses	14,095	1,244
Other items	(39)	(1)
Net taxable profit	**219,590**	**224,424**
Current tax charge at 19%	**41,722**	**42,641**

The deferred tax asset (+) / liability (-) is calculated at 19% (the rate enacted for 2012 and subsequent years) depending on the period of expected timing of the reversal of the temporary difference and can be analysed as follows:

(CZK'000)	31 December 2011	31 December 2010
Deferred tax liability		
Difference in net book values of fixed assets	(11)	(9)
Deferred tax asset		
Other tax non-deductible expenses	-	8
Deferred tax asset arising from social and health insurance for bonuses	2,406	-
Net deferred tax asset (Note 6)	**2,395**	-
Net deferred tax liability (Note 9)	-	**(1)**

21. *Financial risks*

21.1. Strategy in using financial instruments

The Company's strategy is to minimize any market risk that could arise from open positions in respect of interest, share and currency deals, which are sensitive to changes on financial markets.

21.2. Trading

The objective of the Company's activity is trading on behalf of clients in such a way that no open positions arise for the Company that could generate potential loss if the market conditions were to change.

21.3. Risk management

The Company does not trade with financial instruments in significant volumes on its own account, and thus does not face any significant financial risks.

21.4. Credit risk

The Company does not provide or draw any credits. Receivables from entities in the Czech Republic are mainly balances on current and investment bank accounts or fixed term deposits with banking institutions (as at 31 December 2011: CZK 438,780,000 of which CZK 428,335,000 was a fixed term deposit including accrued interest; as at 31 December 2010: CZK 422,998,000, of which CZK 418,236,000 was a fixed term deposit including accrued interest). Receivables from entities within the European Union as at 31 December 2011 is a receivable in respect of financial services provided to a financial institution in Germany in the amount of CZK 644,000. No such receivable as at 31 December 2011. Other receivables from non banking entities arise from the commission for management of assumed values or from consulting, and are payable within one month.

Geographical segmentation

31 December 2011

(CZK'000)	Domestic	European union	Total
Assets			
Cash and cash deposits	47	-	47
Due from banks	433, 780	-	433,780
Due from nonbanking entities	7,762	2,409	10,171
Other assets	2,632	-	2,632
Total assets	**444,221**	**2,409**	**446,630**

31 December 2010

(CZK'000)	Domestic	European union	Total
Assets			
Cash and cash deposits	65	-	65
Due from banks	422,998	644	423,642
Due from nonbanking entities	9,300	2,198	11,498
Other assets	368	-	368
Total assets	**432,731**	**2,842**	**435,573**

21.5. Market risk

The Company's strategy is to intermediate trade in investment instruments on behalf of clients without incurring any open positions on its own account that could generate a loss if the market conditions were to change.

21.6. Currency risk

Foreign currency assets and liabilities, including off-balance sheet exposure, represent exposure of the Company towards currency risks. Realised and unrealised foreign exchange gains and losses are recorded directly into the income statement.

The table below summarizes the Company's exposure to currency risk. Included in the table are the Company's assets and liabilities at carrying amounts, categorized by currency.

31 December 2011 (CZK'000)	**CZK**	**EUR**	**Other**	**Total**
Assets				
Cash and cash deposits	5	1	41	47
Due from banks	432,193	1, 585	2	433,780
Due from nonbanking entities	8,138	1,973	60	10,171
Other assets	2,632	-	-	2,632
Total assets	**442,968**	**3,559**	**103**	**446,630**
Liabilities				
Liabilities against non-bank institutions	1	-	-	1
Provisions	1,888	-	-	1,888
Other liabilities	26,582	74	57	26,713
Total liabilities	**28,471**	**74**	**57**	**28,602**
Net assets	**414,497**	**3,485**	**46**	**418,028**

31 December 2010 (CZK'000)	**CZK**	**EUR**	**Other**	**Total**
Assets				
Cash and cash deposits	18	1	46	65
Due from banks	420,503	3,108	31	423,642
Due from nonbanking entities	10,161	1,208	129	11,498
Other assets	368	-	-	368
Total assets	**431,050**	**4,317**	**206**	**435,573**
Liabilities				
Provisions	13,975	-	-	13,975
Other liabilities	25,197	178	85	25,460
Total liabilities	**39,172**	**178**	**85**	**39,435**
Net assets	**391,878**	**4,139**	**121**	**396,138**

21.7. Interest rate risk

The Company is exposed to interest rate risk since interest-bearing assets and liabilities have different maturity dates, periods of changes/adjustments of interest rates and volumes during these periods. The Company purposely does not carry out transactions that would generate positions sensitive to changes in market interest rates. The slight discrepancy between interest-rate-sensitive assets and payables of the Company, as outlined in the table below, arises only as a result of the Company's regular activity.

The book value of these assets and payables is included in the period in which they mature or in which the interest rate changes, whichever occurs sooner. Due to anticipated early repayment or undefined maturity dates, certain assets or payables are allocated to individual periods based on expert evaluation.

The table below summarises the Company's exposure to interest rate risks. Included in the table are the Company's interest bearing assets and liabilities at carrying amounts, categorised by the earlier of contractual, repricing or maturity dates. The only interest bearing assets are receivables from term deposits.

31 December 2011 (CZK'000)	**Within 3 months**	**3 – 12 months**	**Total**
Assets			
Due from banks	433,780	-	433,780
Due from nonbanking entities	10,171	-	10,171
Total selected assets	**443,951**	**-**	**443,951**
Liabilities			
Liabilities due to non-banking entities	1	0	1
Provisions	0	1,888	1,888
Total selected liabilities	**1**	**1,888**	**1,889**
Selected net assets	**443,950**	**(1,888)**	**442,062**

31 December 2010 (CZK'000)	**Within 3 months**	**3 – 12 months**	**Total**
Assets			
Due from banks	423,642	-	423,642
Due from nonbanking entities	11,498	-	11,498
Total selected assets	**435,140**	**-**	**435,140**
Liabilities			
Provisions	-	13,975	13,975
Total selected liabilities	**-**	**13,975**	**13,975**
Selected net assets	**435,140**	**(13,975)**	**421,165**

21.8. Liquidity risk

Liquidity risk is determined by the method of financing the Company's activities and management of their balance sheet positions. It includes both the risk of the ability to finance the Company's assets using instruments with suitable maturity as well as the ability to liquidate/sell assets for an acceptable price within an acceptable time frame.

The Company's strategy in respect of liquidity is to hold its assets in highly available means, mainly on current bank accounts as deposits payable upon request or in the form of fixed term deposits.

The Company does not state data relating to tangible and intangible fixed assets, capital funds and retained profit in the following tables due to the fact that no maturity is set for these items.

31 December 2011 (CZK'000)	**Within 3 months**	**3 – 12 months**	**Total**
Assets			
Cash and cash deposits	47	-	47
Due from banks	433,780	-	433,780
Due from nonbanking entities	1, 171	-	10,171
Other assets	237	2,395	2,632
Total assets	**444,235**	**2,395**	**446 630**
Liabilities			
Liabilities due to non-bank institutions	1	-	1
Provisions	-	1,888	1,888
Other liabilities	26,713	-	26,713
Total liabilities	**26, 714**	**1,888**	**28,602**
Net assets	**417,521**	**507**	**418,028**

31 December 2010 (CZK'000)	**Within 3 months**	**3 – 12 months**	**Total**
Assets			
Cash and cash deposits	65	-	65
Due from banks	423,642	-	423,642
Due from nonbanking entities	11,498	-	11,498
Other assets	368	-	368
Total assets	**435,573**	**-**	**435,573**
Liabilities			
Provisions	-	13,975	13,975
Other liabilities	25,460	-	25,460
Total liabilities	**25,460**	**13,975**	**39,435**
Net assets	**410,113**	**13,975**	**396,138**

22. *Subsequent events*

There were no events, which have occurred subsequent to the year-end until the date of preparation of the financial statements, which would have a material impact on the financial statements of the Company as at 31 December 2011.

These financial statements have been approved for submission to the general meeting of shareholders by the Board of Directors.

20 March 2012

Kateřina Jirásková
Member of Board of Directors

Petr Dobiáš
Member of Board of Directors

APPENDIX No. 2

Report on Relations

In accordance with Section 66a (9) of Act No. 513/1991 Coll.,
the Commercial Code, as amended

For the accounting period from 1 January 2011 to 31 December 2011

In accordance with Section 66a (9) of Act No. 513/1991 Coll., the Commercial Code, as amended, the Board of Directors of Generali PPF Asset Management a.s. issued the report on relations of Generali PPF Asset Management a.s., a Company with its registered office at Evropská 2690/17, 160 41 Prague 6, as the controlled party ("the Company"), CZI Holdings N.V., a Company with its registered office at Strawinskylaan 933, Post code: 1077XX Amsterdam, Kingdom of the Netherlands, as the directly controlling party, and other parties controlled by the same controlling party (the "related parties") for the accounting period from 1 January 2011 to 31 December 2011 (the "accounting period").

During the accounting period, Generali PPF Asset Management a.s. was controlled by CZI Holdings N.V., which as the party controlling the Company, was as at 31 December 2011 a member of the group headed by Assicurarizioni Generali S.p.A., a company with its registered office at the address Piazza Duca degli Abruzzi 2, Triest, Republic of Italy.

I. Controlled party (also referred to as related party)

Generali PPF Asset Management a.s., with its registered office in Prague 6, Evropská 2690/17, Business ID Number: 25629123, registered in the Commercial Register maintained by the Municipal Court in Prague under file No. B. 5073 on 3 December 1997

II. Controlling party (also referred to as related party)

The party directly controlling the Company during the prior accounting period and as of the date of compilation of this annual report is CZI Holdings N.V., a company with its registered office at Strawinskylaan 933, Post code: 1077XX Amsterdam, Kingdom of the Netherlands. For the entire accounting period, CZI Holdings N.V. owned 104,000 pieces of registered common shares in the Company, each with a nominal value of CZK 500, representing a 100% share of the Company's voting rights.

III. List of agreements concluded with related parties in the prior accounting period and a description of these agreements

During the accounting period, the following agreements and transactions were entered into by and between the Company and the controlling party and between the Company and other related parties:

Company	ID No.	Agreement
CZI Holdings N.V.	34245976	Amendment No. 1 to the Asset Management Agreement dated 2 May 2011
Česká pojišťovna a.s.	45272956	Amendment No. 13 to the Asset Management Agreement dated 2 February 2011
		Agreement about travel insurance – 42 newly concluded contracts in total
Česká pojišťovna ZDRAVÍ a.s.	49240749	Asset Management Agreement dated 31 March 2011
ČP INVEST investiční společnosti, a.s.	43873766	Amendment No. 15 to the Collective Investment Fund Asset Management Agreement dated 14 March 2011
		Amendment No. 16 to the Collective Investment Fund Asset Management Agreement dated 13 April 2011
		Amendment No. 17 to the Collective Investment Fund Asset Management Agreement dated 10 June 2011
		Amendment No. 18 to the Collective Investment Fund Asset Management Agreement dated 7 October 2011
		Amendment No. 19 to the Collective Investment Fund Asset Management Agreement dated 19 October 2011
		Amendment No. 20 to the Collective Investment Fund Asset Management Agreement dated 13 December 2011

Company	ID No.	Agreement
Generali Pojišťovna a.s.	61859869	Amendment No. 12 to the Asset Management Agreement dated 20 December 2011
GP Reinsurance EAD	200270243	Amendment No. 10 to the Asset Management Agreement dated 21 February 2011
		Amendment No. 11 to the Asset Management Agreement dated 31 March 2011
		Amendment No. 12 to the Asset Management Agreement dated 28 July 2011
		Amendment No. 13 to the Asset Management Agreement dated 4 August 2011
		Amendment No. 14 to the Asset Management Agreement dated 2 November 2011
		Amendment No. 15 to the Asset Management Agreement dated 30 December 2011
Generali Slovensko poisťovňa, a.s.	35709332	Amendment No. 4 to the Asset Management Agreement dated 22 April 2011
		Amendment No. 5 to the Asset Management Agreement dated 28 December 2011

IV. Other legal acts carried out on behalf of related parties

During the accounting period, no other legal acts were carried out on behalf of the controlling party or the Company or other related parties. If, however, legal acts were carried out by the controlling party on behalf of the related parties, these acts were of a general legal nature only, undertaken on the basis of conditions applicable to the controlling party for carrying out legal acts in relation to the Company in light of the fact that the controlling party is the Company's shareholder.

V. Other measures taken on behalf or at the request of the related parties

During the accounting period, no measures were adopted on behalf or at the request of the controlling party of other related parties, with the exception of general measures adopted by the Company in relation to the controlling party in light of the fact that the controlling party is the Company's shareholder.

VI. Actions taken and damages incurred by the controlled party and the method of reimbursement of damages

All of the mentioned agreements were concluded under conditions usual in commercial relations, just as all services under these agreements were provided and received under conditions usual in commercial relations, and the Company incurred no damages from these agreements.

VII. Final declarations

The report was prepared by the Board of Directors of the controlled party Generali PPF Asset Management a.s. on 30 March 2012 and presented to the Supervisory Board and the Auditor performing the audit of the financial statements. Due to its obligations under the law, the controlled party issues the Annual Report, an integral part of which should be the Report on Relations.

Prague, 30 March 2012

On behalf of the Board of Directors of the controlled party:

Kateřina Jirásková
Member of the Board of Directors
Generali PPF Asset Management a.s.