

Generali PPF Asset Management a.s.

ANNUAL REPORT 2009

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 256 29 123, with registered office at Evropská 2690/17, Praha 6, Dejvice ("the Company") for the year ended 31 December 2009 disclosed in the appendix no.1 to the annual report and issued the opinion dated 16 March 2010.

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 2009 is consistent with the financial statements referred to above. The Board of Directors 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 2009 is consistent, in all material respects, with the financial statements.

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

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 2009 (the "Report"). The completeness and accuracy of the Report is the responsibility of the Board of Directors of the Company. Our responsibility is to review the accuracy of information included in the Report.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 and related application guidance of the Chamber of Auditors of the Czech Republic for review of the report on relations. These standards require that we plan and perform the review to obtain moderate assurance as to whether the Report is free of material 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.

27 April 2010



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



Petr Kříž
Statutory Auditor, Licence No. 1140

Translation note

Our report has been prepared in Czech 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.

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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 2009:	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 Šmejč – 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: dealing 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 assets of a client 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 advice to undertakings on 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:

- 25 May 2009 – Termination of Mr Tomáš Spurný's membership in the Supervisory Board (office expired on 25 February 2009)
- 25 May 2009 – Registration of appointment of Mr Pavel Horák's to the Supervisory Board (appointed on 7 May 2009)
- 24 September 2009 – Registration of termination and reappointment of Mrs Kateřina Jirásková's to the Board of Directors (office expired on 15 June 2009 and reappointment was made on 16 June 2009)

Other information about the company

The company's registered share capital amounts to CZK 52 million. As at 31 December 2009, the company's equity amounted to CZK 316 million. In 2009, the company generated profit in the amount of CZK 149 million. The table below sets out some other quantitative indicators:

1. Capital

Summary information on the conditions and nature of capital and its components	The company's capital on individual basis capital amounts to CZK 165,137 thousand and comprises tier 1 capital of CZK 167,577 thousand less deductible items totalling CZK 2,440 thousand.
Total core capital (tier 1), amount of each positive component and amount of each deductible items	Total core capital (tier 1) amounts to CZK 167,577 thousand and comprises paid up registered share capital of CZK 52,000 thousand, legal reserve funds of CZK 10,400 thousand, retained earnings of CZK 106,097 thousand, less intangible fixed assets of CZK 920 thousand.
Total supplementary capital (tier 2)	Total supplementary capital (tier 2) amounts to CZK 0.
Total capital to cover market risk (tier 3)	Total capital to meet market risk (tier 3) amounts to CZK 0.
Total deductible items as well as separate specification of deductible items for insufficient coverage of expected credit losses	Total deductible items amount to CZK 3,360 thousand; deductible items for insufficient coverage of expected loan losses amount to CZK 0.
Total capital after taking into account deductible items and limits set for supplementary capital	Total company's capital on individual basis after taking into account deductible items and limits set for supplementary capital amounts to CZK 165,137 thousand.

2. Capital requirements

for credit risk, divided up into capital requirements for credit risk according to the standardised approach and according to the IRB approach	The capital requirement for credit risk in connection with STA amounts to CZK 14,343 thousand. The IRB approach is not applied.
for settlement risk	The capital requirement for settlement risk amounts to CZK 0.

Other information about the company (continued)

2. Capital requirements (continued)

for position, currency and commodity risk	The capital requirement for position, foreign exchange, and commodity risk amounts to CZK 492 thousand.
for operational risk	The capital requirement for operational risk amounts to CZK 31,858 thousand.
for exposure risk in the trading portfolio	The capital requirement for exposure risk in the trading portfolio amounts to CZK 0.
for other instruments in the trading portfolio	The capital requirement for other instruments in the trading portfolio amounts to CZK 0.

3. Index ratios

Capital adequacy ratio	28.29%
Debt / Equity I (total liabilities excluding customers' assets / equity excluding customers' assets)	11.62%
Debt / Equity II (total liabilities excluding customers' assets / equity)	13.15%
Return on average assets (ROAA, assets excluding customers' assets)	50.48%
Return on average equity (ROAE)	94.47%
Return on sales (net profit / income from investment services)	48.97%
Administrative expenses per employee	CZK 2,251

Additional information

During 2009, the company incurred no research and development costs.

During 2009, the company acquired none of its own shares nor the shares of the controlling party.

The company has no foreign branches.

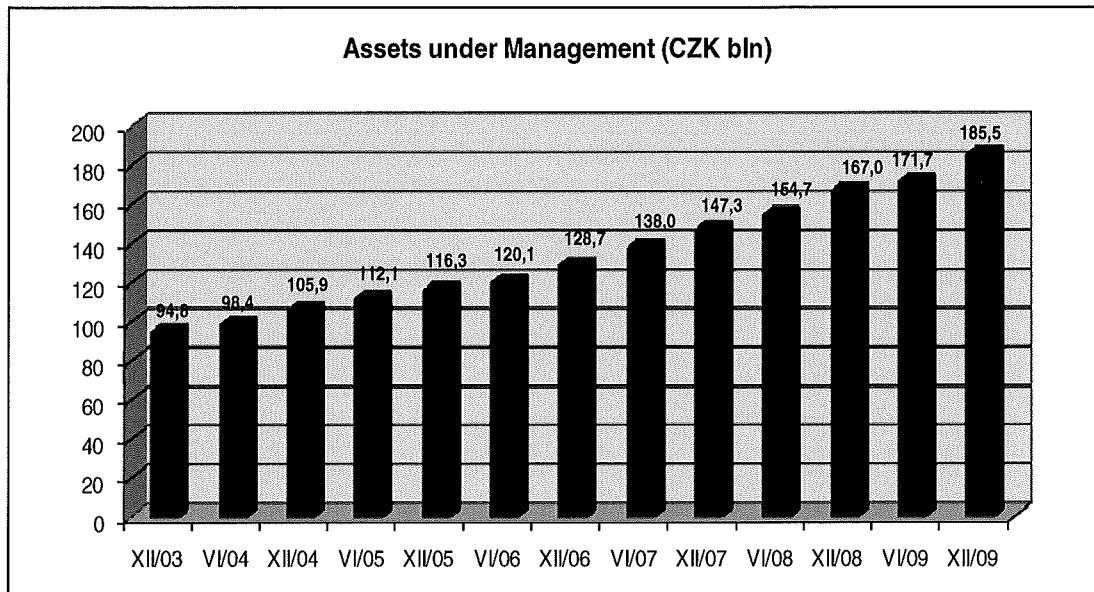
Report of the Board of Directors

The main distinguishing mark of the year 2009 was its almost unbelievable turnover on the financial markets following the extreme slump of 2008. However, right at the beginning of the year this trend had not yet developed. To the contrary: January and February 2009 were characterised by a continued slump on the risk assets market, particularly in respect of equities. In contrast, starting from March, the year 2009 brought one of the highest and most intense upswings ever seen on the financial markets. In light of the fact that 2008 and 2009 was one of the most difficult economic phases ever faced globally (not forgetting that following Lehman Brothers' collapse in September 2008 there was a very real possibility that the entire financial system would crash, with unimaginable results for the whole economy), it could be said that despite its undeniable gravity, the overall effect of the crisis has been a lot less dramatic than expectations a year ago. This was due primarily to extraordinarily aggressive, fast and coordinated action on the part of central banks, governments and international institutions globally. It is not yet entirely safe to say that the whole crisis is over, and we are sure that certain of the issues arising (not only) from the crisis will continue to affect and burden us for quite some time (e.g., the high indebtedness of many states). Notwithstanding, we believe that the worst is behind us, and we would like to recapitulate the whole duration of the crisis in 2008-2009 from the perspective of our activities and their impact on our clients. We value highly the fact that all our clients, without exception, had the opportunity to participate in the growth on the financial markets in 2009. This serves as confirmation that all the investment policies were prepared in a way that allowed our clients to "survive" a truly dramatic market crash in 2008 without having to limit their risk portfolios, which in turn would have prevented them from making any profit out of the growth in 2009. We greatly appreciate the trust our clients put in us by de facto without exception accepting both our view of the market and economic situation and our recommendations with respect to portfolio allocation. We are convinced that this trust was what made it possible for us to pay high revenues resulting from both strategic and tactical portfolio allocation during 2009, and that our clients' portfolio performance throughout 2008-2009 can, under the circumstances, be described as excellent.

In last year's report we spoke here about how, despite the difficult situation, the year 2008 was a successful one for our company and its results. From our point of view, the year 2009 was even more successful:

- from the point of view of the company's results - the company made a profit of almost CZK 148 million, its highest in the last 5 years,
- above all, however, we managed to achieve absolutely exceptional valorization of our clients' resources.

The total volume of assets in direct management continued to grow. As at 31.12.2009, managed funds were at the level of CZK 185.5 billion. According to data from AKAT (the Czech Capital Market Association of the Czech Republic), we have remained the biggest asset manager in the Czech Republic in the field of institutional clients, where we have been successful in the long term, and on the Czech market in general, where we became the market leader during the crisis (IV. Quarter 2008), maintaining this position also for the last year. Our company's share in the total asset management market in the Czech Republic rose as high as 24.6%. According to AKAT data, the volume of managed assets within the entire Czech Republic grew at a rate of 4.2% per annum and the volume of assets managed by our company grew 12%, i.e., more than 2.7 times faster.



2009 from the perspective of market development and portfolio performance

The year 2009 followed in the wake of the worst year for risk assets (equities, credit investment, alternative investment, etc.) in the past few decades. All the events, both with respect to the economy and on the global financial markets in 2009, were of course markedly affected by this and continued to show precipitous and sometimes even dramatic development and volatility compared to "normal" periods. The year 2009 can briefly be described as a continued worsening at the beginning of the year followed by an improvement at the beginning of spring, a very strong momentum in economic activity and market optimism during the year, with a subsequent pick-up (albeit at a lower intensity) at the close of the year.

Both the global economy and the financial markets were heavily affected by the financial crisis following the collapse of Lehman Brothers in September 2008. Although the response from all the relevant institutions (governments, central banks, the IMF) in the form of various monetary and fiscal stimuli was relatively quick and surprisingly robust, investors' trust in the financial markets practically caved in. There was a similar situation with real economic activity and firms' expectations with respect to future development. The turnaround in the negative development in market sentiment came in March 2009, when the situation with respect to the American banking system began to improve dramatically. Similar signs also began to be emitted from the business environment as the effects of the aforementioned fiscal and monetary stimuli began to be seen.

Among the most significant measures taken by the institutional authorities to reduce the effects of the crisis, we shall mention in particular: reduction of interest rates in many cases to the lowest they have ever been; direct asset purchases by central banks (FED, Bank of England, etc.); dramatic liquidity increase by way of unlimited refinancing operation offers (ECB); tax reductions; various forms of "scrappage programme"; support of the real estate sector; and increased expenditure on infrastructure projects. In Central and Eastern Europe the International Monetary Fund also played a significant role in supporting the economies most threatened by the crisis (Latvia, Hungary, Romania, etc.). Ultimately, all these measures resulted in a relatively sharp rise in the GDP both in the USA and in the eurozone during the third quarter of 2009. Most of the macro data published at the time constituted a very positive surprise, which caused market optimism to grow significantly.

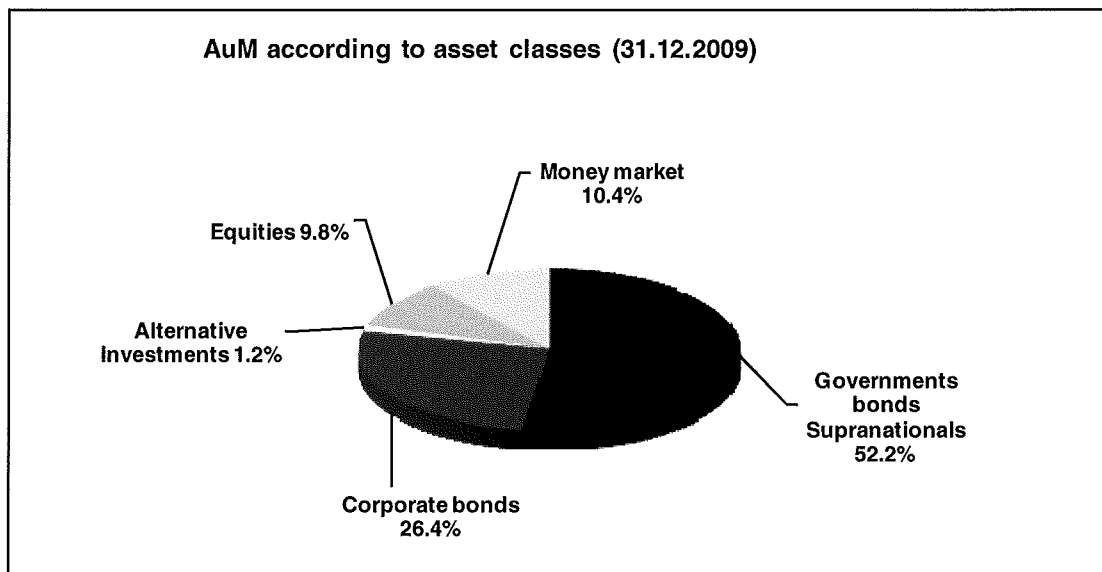
Despite the slowdown in improvement of economic activity at the close of the year, it can be said that the market recovery was surprisingly quick and that this is mainly thanks to the governments', central banks' and international organisations' penetrative response.

The price of equities and other risk assets developed very well during the year. The global stock markets experienced a continued slump in the first two months of the year, falling by another 25%. Nevertheless, thereafter that the improving economic sentiment was accompanied by pronounced market turnover. One of the greatest rallies in history was thus started on the global stock markets, which ultimately led to 27% stock market growth for the whole of 2009. Such growth is typical of the final phase of a recession - but its size and speed were extraordinary. From the start of the year the credit spreads of firms with investment grade ratings did not get any worse, probably because the 3-3.5% level of spreads achieved at the close of 2008 already more than reflected the risks associated with these enterprises' worsening fundamental position. The sharp increase in market liquidity from the side of the central banks and the improving economy led to another pronounced rally in the credit sector (credit spreads dropped below 1.5%). An interesting area of development was non-risky assets, where it emerged that, in practice, many of them are not so non-risky. While revenues from the bonds of the best countries credit-wise dropped to an all-time low (German government bonds), the credit spread of many other countries experienced strong growth, albeit in the short term (e.g., the Czech Republic) or in the longer term (e.g., Greece).

From the point of view of portfolio performance, we rate 2009 as extraordinarily successful on both the strategic level (investment strategy recommended to clients) and the tactical level (excess return compared with the benchmark representing client-approved investment strategy). In retrospect, we consider the main strategic factors and conditions for success to be the following:

- Market opinion
Our refusal to succumb to the absolute pessimism that reigned over the market at the beginning of the year made it possible to preserve the level of investment in risk assets and thus also to be able to participate in the consequent intense market resurgence.
- Consistent respect for clients' ability to face risk
The balance of the investment strategies proved to be so correct that not one of our clients needed to resort to portfolio sale due to excessive risk, despite the biggest market slump in the post-war period. As in point 1, this enabled all our clients to participate in the market growth.
- Market bottom identification
We were able to identify the market bottom relatively accurately and to increase investment into credit and shares depending on individual clients' risk profiles and limitations.
- We maintained our investment throughout the duration of the rally.
Despite achieving outstanding revenues (both absolute and relative) right at the beginning of the rally, we did not succumb to early satisfaction and anticipated a continuance of this growth (although ultimately, the rate of growth came as a pleasant surprise even to us).

In the area of tactical allocation, we managed to achieve a pronounced excess return over and above the set benchmark with respect to all our clients. Here, a major part was played by overweighting of asset positions after the 1st quarter concurrent with marked investment into credit instruments during the 2nd quarter. A significant aspect was also correct timing when purchasing Czech state bonds for inclusion in portfolios: we were successful in achieving very good yields owing to temporary expansion of their credit spread in the first half of the year.



Conclusion

We hope that not only in 2009, but also in previous years, we managed to prove that our main goal can be achieved long-term: in other words, that we are focussing completely and successfully on the needs of every one of our clients and on managing their portfolios in the best way possible.

Despite the difficulty in predicting future developments, we would like to continue to provide the best services to our clients, and it goes without saying that we constantly strive for further improvement. In the future we would also like to remain as successful as possible in attaining a balance between return and potential risk in every portfolio entrusted to us and for every client and potential client.

In conclusion, we would like to thank all our staff for their flexibility, devotion and immense effort, without which the company's results could never have achieved the level and the high quality that they have.

Prague, 31 March 2010

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

Kateřina Jirásková
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 of Generali PPF Asset Management a.s.

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 2009 accounting period.

The balance sheet of Generali PPF Asset Management a.s. as at 31 December 2009 shows assets totalling CZK 358,138 thousand structured as follows:

- Cash in hand: CZK 73 thousand
- Due from banks: CZK 342,176 thousand
- Due from non-banking entities: CZK 11,852 thousand
- Long-term tangible and intangible fixed assets: CZK 3,359 thousand
- Other assets: CZK 177 thousand
- Prepayments and accrued income: CZK 501 thousand

Liabilities totalling CZK 358,138 thousand are structured as follows:

- Other liabilities: CZK 20,536 thousand
- Equity: CZK 316,460 thousand
- Provisions for taxes: CZK 21,142 thousand

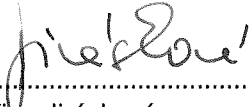
Equity comprises the following:


- 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 106,097 thousand
- Profit of the current accounting period: CZK 147,963 thousand

Main data from the Income statement:

- Profit on ordinary activities before taxation for the accounting period: CZK 185,297 thousand
- Income tax: CZK 37,334
- Profit after taxation for the current accounting period: CZK 147,963 thousand

Prague, 31 March 2010


.....
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**

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 2009 amounted to CZK 302,135 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 6,043 thousand was settled on 26 March 2010 by bank transfer to the bank account of the Securities Traders' Guarantee Fund.

Prague, 31 March 2010

GENERALI PPF ASSET MANAGEMENT a.s.

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2009

Note

The financial statements have been prepared in Czech language and in English. In all matters of interpretation of information, views or opinions, the Czech version of the financial statements takes precedence over the English version.

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 25629123, with registered office at Evropská 2690/17, PSČ 16041, Praha 6 ("the Company"), which comprise the balance sheet as at 31 December 2009, 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").

Board of Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Czech accounting legislation. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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.

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

Auditor's Responsibility (continued)

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 and fair presentation of the financial statements 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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2009 and its financial performance for the year then ended in accordance with Czech accounting legislation.

16 March 2010



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



Petr Kříž
Statutory Auditor, Licence No. 1140

Translation note

Our report has been prepared in Czech 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: Dejvická 2690/17, P.O.Box 177

Identification number: 25629123

Legal form: joint-stock company

Primary business: securities trader according to special law

Date of preparation: 16 March 2010

**BALANCE SHEET
AS AT 31 DECEMBER 2009**

	<u>Note</u>	<u>31 December 2009</u>	<u>31 December 2008</u>
		CZK'000	CZK'000
<u>Assets:</u>			
Cash		73	93
Due from banks	3	342,176	241,074
of which: a) repayable on demand		9,372	24,805
b) other receivables		332,804	216,269
Due from nonbanking entities-other	4	11,852	6,796
Long-term intangible fixed assets	5	920	1,473
Long-term tangible fixed assets	5	2,439	3,814
Other assets	6	177	533
Prepayments and accrued income		<u>501</u>	<u>601</u>
Total assets		<u>358,138</u>	<u>254,384</u>
<u>Liabilities:</u>			
Due to nonbanking entities-other	8	-	1,546
Other liabilities	9	20,536	27,965
Provisions for taxes	7	21,142	7,080
Share capital paid up	10	52,000	52,000
Statutory reserve fund		10,400	10,400
Retained earnings from previous periods		106,097	81,330
Profit for the accounting period		<u>147,963</u>	<u>74,063</u>
Total liabilities		<u>358,138</u>	<u>254,384</u>

**OFF-BALANCE SHEET
AS AT 31 DECEMBER 2009**

<u>Off-balance sheet liabilities:</u>	<u>Note</u>	<u>31 December 2009</u>	<u>31 December 2008</u>
		CZK'000	CZK'000
Assets held under custody	11	172	184
Assets under management	11	<u>186,869,356</u>	<u>167,042,680</u>
Total off-balance sheet liabilities		<u>186,869,528</u>	<u>167,042,864</u>

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009**

	<u>Note</u>	<u>2009</u> CZK'000	<u>2008</u> CZK'000
Interest and similar income	12	5,965	6,451
Fee and commission income	13	302,135	239,067
Fee and commission expense	14	(376)	(350)
Net loss from financial transactions	15	(299)	(443)
Other operating income	16	826	1,534
Other operating expense	17	(12,004)	(14,233)
Administrative expense	18	(108,215)	(134,866)
of which: a) staff costs		(71,462)	(87,662)
of which: aa) wages and salaries		(56,995)	(66,927)
ab) social and health insurance		(10,903)	(14,917)
b) other administrative expenses		(36,753)	(47,204)
Depreciation of long-term tangible and intangible fixed assets	5	<u>(2,735)</u>	<u>(2,954)</u>
Profit on ordinary activities before taxation		185,297	94,206
Income tax	7, 19	<u>(37,334)</u>	<u>(20,143)</u>
Profit for accounting period after taxation		<u>147,963</u>	<u>74,063</u>

GENERALI PPF ASSET MANAGEMENT a.s.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2009

	Share <u>capital</u> CZK'000	Statutory reserve <u>fund</u> CZK'000	Retained <u>earnings</u> CZK'000	<u>Total</u> CZK'000
Balance as at 1 January 2008	52,000	10,400	104,730	167,130
Net profit for the accounting period	-	-	74,063	74,063
Dividends	<u>-</u>	<u>-</u>	<u>(23,400)</u>	<u>(23,400)</u>
Balance as at 31 December 2008	52,000	10,400	155,393	217,793
Net profit for the accounting period	-	-	147,963	147,963
Dividends	<u>-</u>	<u>-</u>	<u>(49,296)</u>	<u>(49,296)</u>
Balance as at 31 December 2009	<u>52,000</u>	<u>10,400</u>	<u>254,060</u>	<u>316,460</u>

GENERALI PPF ASSET MANAGEMENT a.s.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

1 GENERAL INFORMATION

Generali PPF Asset Management a.s. (hereinafter referred to as “the Company”) was incorporated on 3 December 1997. The Company's business activity is 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: a Portfolio Management department, a Market Analysis department, a Risk Management department, a Project Management department, an Internal Processes department (this includes the Back Office and administrative section and the Middle Office section), a Financial department, a Commerce section and a 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 code: 342 45 976

2 ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements, comprising a balance sheet, statements of income and of changes in equity and accompanying notes, are prepared in accordance with the Act on accounting and the applicable accounting rules for financial institutions 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 otherwise stated and are not consolidated.

(b) 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; or the day of negotiating a securities transaction.

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2 ACCOUNTING POLICIES (continued)

(c) 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 ("CNB") effective at the balance sheet date. Resulting foreign exchange gains and losses are recognised in Gains less losses from financial transactions.

(d) 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.

(e) 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 amortized cost of a financial asset and of allocating the interest income 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.

(f) Receivables

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

(g) 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.

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NOTES TO FINANCIAL STATEMENTS
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2 ACCOUNTING POLICIES (continued)

(g) Provisions (continued)

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 together with income tax due.

(h) 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 (starting from the month after being put into use). 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 (on a monthly 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
Royalties	72 months
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 ACCOUNTING POLICIES (continued)

(i) 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. At the end of the calendar year, the group settles the tax deduction entitlement in respect of reduced supplies.

(j) Deferred tax

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 utilized.

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

(k) 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.

The Company makes regular pension plan contributions to the state budget.

(l) 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 intermediaries, the party:
 - controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
 - has an interest in the entity that gives it significant influence over the entity; or
 - has joint control over the entity;

2 ACCOUNTING POLICIES (continued)

(l) Related parties (continued)

- b) the party is an associate of the entity;
- c) the party is a joint venture in which the entity is a venturer;
- 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
- g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

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, outstanding balances and pricing policies with related parties are disclosed in Notes 3, 4, 6, 8, 9, 11, 12, 13 and 18.

(m) 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.

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2 ACCOUNTING POLICIES (continued)

(m) Subsequent events (continued)

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

	<u>31 December 2009</u>	<u>31 December 2008</u>
	CZK'000	CZK'000
Current accounts with banks	9,372	24,805
Term deposits with banks	332,457	216,024
Other due from companies	<u>347</u>	<u>245</u>
	<u>342,176</u>	<u>241,074</u>
of which from related parties	341,500	240,487

Other receivables due from companies as at 31 December 2009 represent a receivable due from a credit institution from the EU arising from financial activities in the amount of CZK 347,000 (31 December 2008: CZK 245,000). The Company does not have balances on foreign bank accounts in the reporting periods.

The Company predominantly uses the banking services of the related company PPF banka a.s., with which it has funds deposited totaling CZK 341,500,000 (31 December 2008: CZK 240,487,000).

4 DUE FROM NONBANKING ENTITIES

(a) Receivables by type of debtor

	<u>31 December 2009</u>	<u>31 December 2008</u>
	CZK'000	CZK'000
Receivables from non financial organizations - physical entities	2,125	134
Receivables from non financial organizations - legal entities	2	4
Receivables from financial organizations - collective investment entities	3,930	191
Receivables from financial organizations - insurance companies	<u>5,795</u>	<u>6,467</u>
	<u>11,852</u>	<u>6,796</u>

GENERALI PPF ASSET MANAGEMENT a.s.
NOTES TO FINANCIAL STATEMENTS
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4 DUE FROM NONBANKING ENTITIES (continued)

(b) Receivables from related parties

	31 December			31 December
	<u>2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>2009</u>
	CZK'000	CZK'000	CZK'000	CZK'000
Receivables against non financial organizations - legal entities	4	159	(161)	2
of which : Educa Foundation, Říčany, Identification number: 26748118	3	111	(113)	1
Open Gate - Boarding school, Říčany, Identification number: 27089941	1	48	(48)	1
Receivables against financial organizations - collective investment entities	191	123,521	(119,782)	3,930
of which : ČP Invest investiční společnost, a.s., Prague 1, Identification number: 43873766	191	9,924	(9,790)	325
Penzijní fond České pojišťovny a.s., Prague 1, Identification number: 61858692	-	108,882	(105,429)	3,453
Generali penzijní fond a.s., Prague 1, Identification number: 63998475	-	4,715	(4,563)	152
Receivables against financial organizations - insurance companies	6,444	167,261	(169,062)	4,643
of which : Česká pojišťovna a.s., Prague 1, Identification number: 45272956	2,372	91,502	(91,593)	2,281
Česká pojišťovna zdraví a.s., Prague 10, Identification number: 49240749	16	940	(928)	28
Generali Slovensko poisťovňa, a.s., Bratislava, Identification number: SK 2021000487	1,040	17,093	(17,658)	475
Česká pojišťovna s.r.o., Moscow	745	1,258	(1,902)	101
CP Reinsurance Company Ltd., Nicosia	516	4,758	(5,260)	14
Generali Pojišťovna a.s., Prague 2, Identification number: 61859869	1,755	29,965	(30,859)	861
GP Reinsurance EAD, Bulgaria	-	21,745	(20,862)	883
Total receivables from related parties	<u>6,639</u>	<u>290,941</u>	<u>(289,005)</u>	<u>8,575</u>

GENERALI PPF ASSET MANAGEMENT a.s.
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5 LONG-TERM INTANGIBLE AND TANGIBLE FIXED ASSETS

Long-term intangible fixed assets

	<u>Software</u> CZK'000	<u>Other</u> CZK'000	<u>Total</u> CZK'000
At 1 January 2008			
Cost	4,948	1,391	6,339
Accumulated amortisation and impairment	<u>(3,242)</u>	<u>(1,254)</u>	<u>(4,496)</u>
Net book amount	<u>1,706</u>	<u>137</u>	<u>1,843</u>
At 31 December 2008			
Opening net book value	1,706	137	1,843
Additions	731	119	850
Amortization charge	<u>(1,145)</u>	<u>(75)</u>	<u>(1,220)</u>
Closing net book value	<u>1,292</u>	<u>181</u>	<u>1,473</u>
At 31 December 2008			
Cost	5,520	1,511	7,031
Accumulated amortization and impairment	<u>(4,228)</u>	<u>(1,330)</u>	<u>(5,558)</u>
Net book amount	<u>1,292</u>	<u>181</u>	<u>1,473</u>
Year ended 31 December 2009			
Opening net book amount	1,292	181	1,473
Additions	306	-	306
Amortization charge	<u>(766)</u>	<u>(93)</u>	<u>(859)</u>
Closing net book value	<u>832</u>	<u>88</u>	<u>920</u>
At 31 December 2009			
Cost	5,826	1,511	7,337
Accumulated amortization and impairment	<u>(4,994)</u>	<u>(1,423)</u>	<u>(6,417)</u>
Net book amount	<u>832</u>	<u>88</u>	<u>920</u>

GENERALI PPF ASSET MANAGEMENT a.s.
NOTES TO FINANCIAL STATEMENTS
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5 LONG-TERM INTANGIBLE AND TANGIBLE FIXED ASSETS (continued)

Long-term operating tangible fixed assets

	<u>Buildings</u> CZK'000	<u>Equipment</u> CZK'000	Motor <u>vehicles</u> CZK'000	<u>Other</u> CZK'000	<u>Total</u> CZK'000
At 1 January 2008					
Cost	1,639	175	3,810	1,215	6,839
Accumulated depreciation and impairment	<u>(1,396)</u>	<u>(175)</u>	<u>(740)</u>	<u>(667)</u>	<u>(2,978)</u>
Net book amount	<u>243</u>	<u>-</u>	<u>3,070</u>	<u>548</u>	<u>3,861</u>
Year ended 31 December 2008					
Opening net book amount	243	-	3,070	548	3,861
Additions	540	-	1,003	144	1,687
Disposals	(4)	-	-	-	(4)
Depreciation charge	<u>(152)</u>	<u>-</u>	<u>(1,154)</u>	<u>(424)</u>	<u>(1,730)</u>
Closing net book amount	<u>627</u>	<u>-</u>	<u>2,919</u>	<u>268</u>	<u>3,814</u>
At 31 December 2008					
Cost	1,696	135	4,813	1,432	8,076
Accumulated depreciation and impairment	<u>(1,069)</u>	<u>(135)</u>	<u>(1,894)</u>	<u>(1,164)</u>	<u>(4,262)</u>
Net book amount	<u>627</u>	<u>-</u>	<u>2,919</u>	<u>268</u>	<u>3,814</u>
Year ended 31 December 2009					
Opening net book amount	627	-	2,919	268	3,814
Additions	40	-	-	737	777
Disposals	(269)	-	-	(7)	(276)
Depreciation charge	<u>(187)</u>	<u>-</u>	<u>(1,313)</u>	<u>(376)</u>	<u>(1,876)</u>
Closing net book amount	<u>211</u>	<u>-</u>	<u>1,606</u>	<u>622</u>	<u>2,439</u>
At 31 December 2009					
Cost	1,351	135	4,813	1,763	8,062
Accumulated depreciation and impairment	<u>(1,140)</u>	<u>(135)</u>	<u>(3,207)</u>	<u>(1,141)</u>	<u>(5,623)</u>
Net book amount	<u>211</u>	<u>-</u>	<u>1,606</u>	<u>622</u>	<u>2,439</u>

GENERALI PPF ASSET MANAGEMENT a.s.
NOTES TO FINANCIAL STATEMENTS
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5 LONG-TERM INTANGIBLE AND TANGIBLE FIXED ASSETS (continued)

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

	<u>2009</u>	<u>2008</u>
	CZK'000	CZK'000
Depreciation of tangible fixed assets	1,876	1,734
Amortisation of intangible fixed assets	<u>859</u>	<u>1,220</u>
	<u>2,735</u>	<u>2,954</u>

6 OTHER ASSETS

	<u>31 December 2009</u>	<u>31 December 2008</u>
	CZK'000	CZK'000
Other debtors	150	248
Due from employees	6	25
Receivables against the Financial Office from excessive VAT deduction	8	-
Deferred tax assets (note 19)	13	245
Anticipated receivables	<u>-</u>	<u>15</u>
	<u>177</u>	<u>533</u>
of which from related parties	150	77

GENERALI PPF ASSET MANAGEMENT a.s.
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7 PROVISIONS

The movement in provisions can be analyzed as follows:

	Provisions <u>for taxes</u> CZK'000
At 1 January 2008	-
Additions	20,211
Release of provisions to reflect tax advances paid	(13,131)
Release of provisions – other	<u>-</u>
At 31 December 2008	7,080
Additions	36,999
Release of provisions to reflect tax advances paid	(15,857)
Release of provisions - other	<u>(7,080)</u>
At 31 December 2009	<u>21,142</u>

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

8 DUE TO NONBANKING ENTITIES

Other liabilities

	<u>31 December 2009</u> CZK'000	<u>31 December 2008</u> CZK'000
Payable from overpaid advances received on financial services provided to related parties	=	<u>1,546</u>

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9 OTHER LIABILITIES

	<u>31 December 2009</u>	<u>31 December 2008</u>
	CZK'000	CZK'000
Liabilities for social and health insurance	817	862
Amounts due to state budget	1,751	746
Amounts due to employees	9,835	3,819
Payables from settlement with customers	52	40
Anticipated liabilities	721	13,350
Other liabilities	<u>7,360</u>	<u>9,148</u>
	<u>20,536</u>	<u>27,965</u>
of which to related parties	1,362	5,176

As at 31 December 2009, anticipated liabilities are represented by uninvoiced operating expenses in the amount of CZK 721,000 (31 December 2008: CZK 1,899,000).

As at 31 December 2008, anticipated liabilities include estimates for bonuses for 2008 that were payable in 2009 in the amount of CZK 11,451,000, including social and health insurance, this estimates haven't been created in 2009 because bonuses were paid in December 2009.

Other payables include a payable amounting to CZK 6,043,000 in respect of a contribution to the Guarantee Fund (31 December 2008: CZK 4,781,000).

10 EQUITY AND PROFIT DISTRIBUTION

Share capital

	<u>31 December 2009</u>	<u>31 December 2008</u>
	CZK'000	CZK'000
Issued and paid up	<u>52,000</u>	<u>52,000</u>

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 %.

GENERALI PPF ASSET MANAGEMENT a.s.
NOTES TO FINANCIAL STATEMENTS
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10 EQUITY AND PROFIT DISTRIBUTION (continued)

Profit distribution

The net profit of CZK 147,963,000 for 2009 is proposed to be distributed as follows:

	<u>2009</u>
	CZK'000
Dividends	98,592
Retained earnings	<u>49,371</u>
Net profit	<u>147,963</u>

11 CONTINGENCIES AND COMMITMENTS

	<u>31 December 2009</u>	<u>31 December 2008</u>
	CZK'000	CZK'000
<u>Assets held under custody</u>		
Shares	172	184
<u>Assets under management</u>		
Cash	19,439,954	13,976,257
Debt securities	146,733,271	125,740,549
Shares	7,955,173	13,731,489
Other assets	<u>12,740,958</u>	<u>13,594,385</u>
	<u>186,869,528</u>	<u>167,042,864</u>

These assets are measured at fair value.

Management considers that no present obligations were associated with these fiduciary duties at 31 December 2009 nor 2008.

Assets held under management as at 31 December 2009 include assets received from related parties of CZK 185,691,562,000 (2008: CZK 166,829,283,000).

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NOTES TO FINANCIAL STATEMENTS
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12 INTEREST AND SIMILAR INCOME

	<u>2009</u>	<u>2008</u>
	CZK'000	CZK'000
Interest income from related parties	<u>5,965</u>	<u>6,451</u>

Interest income comprise interest income from current accounts of CZK 38,000 (2008: CZK 133,000) and interest income from term deposits of CZK 5,927,000 (2008: CZK 6,318,000).

13 FEE AND COMMISSION INCOME

	<u>2009</u>	<u>2008</u>
	CZK'000	CZK'000
Asset management fees	297,593	232,346
Fees for advisory services	<u>4,542</u>	<u>6,721</u>
	<u>302,135</u>	<u>239,067</u>
of which from related parties	290,943	232,051

14 FEE AND COMMISSION EXPENSE

	<u>2009</u>	<u>2008</u>
	CZK'000	CZK'000
Domestic and foreign transfers	(81)	(104)
Brokerage fee	<u>(295)</u>	<u>(246)</u>
	<u>(376)</u>	<u>(350)</u>

15 NET LOSS FROM FINANCIAL TRANSACTIONS

	<u>2009</u>	<u>2008</u>
	CZK'000	CZK'000
Foreign exchange differences from trading with currency instruments	16	-
Other foreign exchange differences	<u>(315)</u>	<u>(443)</u>
	<u>(299)</u>	<u>(443)</u>

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16 OTHER OPERATING INCOME

	<u>2009</u>	<u>2008</u>
	CZK'000	CZK'000
Gains on sale of long-term fixed assets	21	5
Rental income	-	8
Revenue from Kondor services and other analytical services	645	1,449
Other operating income	<u>160</u>	<u>72</u>
	<u>826</u>	<u>1,534</u>

17 OTHER OPERATING EXPENSE

	<u>2009</u>	<u>2008</u>
	CZK'000	CZK'000
Contribution to Guarantee Fund	(6,043)	(4,781)
Contractual penalties	(85)	(2,453)
Unclaimed VAT	(5,228)	(6,377)
Property insurance and statutory liabilities	(348)	(396)
AKAT fee	(168)	(157)
Residual value of sold or disposed assets	(8)	-
Other operating expense	<u>(124)</u>	<u>(69)</u>
	<u>(12,004)</u>	<u>(14,233)</u>

18 ADMINISTRATIVE EXPENSE

	<u>2009</u>	<u>2008</u>
	CZK'000	CZK'000
Staff costs	(71,462)	(87,662)
Rent and lease charges	(10,017)	(6,272)
Legal advisory charges	(49)	(529)
Services provided by the auditing company	(942)	(950)
of which: - statutory audit of financial statements	(800)	(950)
- other assurance services	(65)	-
- other non-audit services	(77)	-
Outsourced internal audit	(828)	(828)
Other administrative expenses	<u>(24,917)</u>	<u>(38,625)</u>
	<u>(108,215)</u>	<u>(134,866)</u>

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

GENERALI PPF ASSET MANAGEMENT a.s.
NOTES TO FINANCIAL STATEMENTS
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18 ADMINISTRATIVE EXPENSE (continued)

Staff costs can be analyzed as follows:

	<u>2009</u>	<u>2008</u>
	CZK'000	CZK'000
Wages and emoluments of Board of Directors and other members of senior management	(20,484)	(23,215)
Emoluments of Supervisory Board	(74)	(77)
Other wages, personal costs and emoluments of employees	(40,001)	(49,453)
Social costs and health insurance	<u>(10,903)</u>	<u>(14,917)</u>
	<u>(71,462)</u>	<u>(87,662)</u>

Staff statistics

	<u>2009</u>	<u>2008</u>
Average number of employees	50	52
Number of members of Board of Directors	2	2
Number of other members of senior management	5	5
Number of members of Supervisory Board	3	3

19 TAXATION

The income tax expense consists of the following:

	<u>2009</u>	<u>2008</u>
	CZK'000	CZK'000
Current tax expense	(36,999)	(20,211)
Deferred tax income / (expense)	(232)	307
Adjustment of prior year tax expense	<u>(103)</u>	<u>(239)</u>
	<u>(37,334)</u>	<u>(20,143)</u>

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19 TAXATION (continued)

Current tax can be analyzed as follows:

	<u>2009</u>	<u>2008</u>
	CZK'000	CZK'000
Profit before taxation	185,297	94,206
Difference between accounting and tax depreciation	304	207
Release for estimated payables	(1,460)	-
Non-deductible expenses	1,392	1,830
Other items	<u>(539)</u>	<u>-</u>
Net taxable profit	<u>184,994</u>	<u>96,243</u>
Current tax charge at 20 % (2008: 21 %)	<u>36,999</u>	<u>20,211</u>

The deferred tax asset (+) / liability (-) is calculated at 19 % (the rate enacted for 2010 and subsequent years) depending on the period of expected timing of the reversal of the temporary difference and can be analyzed as follows:

	<u>31 December 2009</u>	<u>31 December 2008</u>
	CZK'000	CZK'000
<u>Deferred tax liability</u>		
Difference in net book values of fixed assets	-	(47)
<u>Deferred tax asset</u>		
Other provisions	-	292
Difference in net book values of fixed assets	<u>13</u>	<u>-</u>
Net deferred tax asset (Note 6)	<u>13</u>	<u>245</u>

20 FINANCIAL RISKS

(a) 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.

GENERALI PPF ASSET MANAGEMENT a.s.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

20 FINANCIAL RISKS (continued)

(b) 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.

(c) 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.

(d) 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 2009: CZK 341,829,000, of which CZK 332,457,000 was a fixed term deposit including accrued interest; as at 31 December 2008: CZK 240,829,000, of which CZK 216,024,000 was a fixed term deposit including accrued interest). Receivables from entities in Germany as at 31 December 2008 are a receivable in respect of financial services provided to a non banking institution in Germany in the amount of CZK 347,000 (as at 31 December 2008: CZK 245,000). 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

At 31 December 2009

Assets	<u>Domestic</u>	European	<u>Other</u>	<u>Total</u>
	CZK'000	union CZK'000	CZK'000	CZK'000
Cash and cash deposits	73	-	-	73
Due from banks	341,829	347	-	342,176
Due from nonbanking entities	10,379	1,372	101	11,852
Other assets	<u>177</u>	<u>-</u>	<u>-</u>	<u>177</u>
Total assets	<u>352,458</u>	<u>1,719</u>	<u>101</u>	<u>354,278</u>

GENERALI PPF ASSET MANAGEMENT a.s.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

20 FINANCIAL RISKS (continued)

(d) Credit risk (continued)

Geographical segmentation (continued)

At 31 December 2008

	<u>Domestic</u>	European <u>union</u>	<u>Other</u>	<u>Total</u>
Assets	CZK'000	CZK'000	CZK'000	CZK'000
Cash and cash deposits	93	-	-	93
Due from banks	240,829	245	-	241,074
Due from nonbanking entities	4,495	1,556	745	6,796
Other assets	<u>533</u>	<u>-</u>	<u>-</u>	<u>533</u>
Total assets	<u>245,950</u>	<u>1,801</u>	<u>745</u>	<u>248,496</u>

(e) 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.

(f) 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.

GENERALI PPF ASSET MANAGEMENT a.s.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

20 FINANCIAL RISKS (continued)

(f) Currency risk (continued)

At 31 December 2009

Assets	<u>CZK</u> CZK'000	<u>EUR</u> CZK'000	<u>USD</u> CZK'000	<u>Other</u> CZK'000	<u>Total</u> CZK'000
Cash and cash deposits	19	2	30	22	73
Due from banks	336,586	5,290	300	-	342,176
Due from nonbanking entities	11,093	561	101	97	11,852
Other assets	<u>177</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>177</u>
	<u>347,875</u>	<u>5,853</u>	<u>431</u>	<u>119</u>	<u>354,278</u>
Liabilities					
Provisions	21,142	-	-	-	21,142
Other liabilities	<u>20,276</u>	<u>257</u>	<u>3</u>	<u>-</u>	<u>20,536</u>
	<u>41,418</u>	<u>257</u>	<u>3</u>	<u>-</u>	<u>41,678</u>
Net assets	<u>306,457</u>	<u>5,596</u>	<u>428</u>	<u>119</u>	<u>312,600</u>

At 31 December 2008

Assets	<u>CZK</u> CZK'000	<u>EUR</u> CZK'000	<u>USD</u> CZK'000	<u>Other</u> CZK'000	<u>Total</u> CZK'000
Cash and cash deposits	14	7	35	37	93
Due from banks	238,185	1,237	1,652	-	241,074
Due from nonbanking entities	4,974	-	745	1,077	6,796
Other assets	<u>533</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>533</u>
	<u>243,706</u>	<u>1,244</u>	<u>2,432</u>	<u>1,114</u>	<u>248,496</u>
Liabilities					
Due to nonbanking entities	1,546	-	-	-	1,546
Provisions	7,080	-	-	-	7,080
Other liabilities	<u>26,296</u>	<u>505</u>	<u>1,164</u>	<u>-</u>	<u>27,965</u>
	<u>34,922</u>	<u>505</u>	<u>1,164</u>	<u>-</u>	<u>36,591</u>
Net assets	<u>208,784</u>	<u>739</u>	<u>1,268</u>	<u>1,114</u>	<u>211,905</u>

GENERALI PPF ASSET MANAGEMENT a.s.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

20 FINANCIAL RISKS (continued)

(g) 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 and the nominal (notional) value of interest rate derivatives are 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 summarizes the Company's exposure to interest rate risks. Included in the table are the Company's interest bearing assets and liabilities at carrying amounts, categorized by the earlier of contractual, reprising or maturity dates. Non-interest bearing financial assets and liabilities are classified with other assets and other liabilities as not specified.

At 31 December 2009

Assets	<u>Within</u> <u>3 months</u> CZK'000	<u>3 - 12</u> <u>months</u> CZK'000	<u>Not</u> <u>specified</u> CZK'000	<u>Total</u> CZK'000
Cash and cash deposits	-	-	73	73
Due from banks	342,176	-	-	342,176
Due from nonbanking entities	11,852	-	-	11,852
Other assets	<u>177</u>	-	-	<u>177</u>
	<u>354,205</u>	<u>-</u>	<u>73</u>	<u>354,278</u>
Liabilities				
Provisions	-	21,142	-	21,142
Other liabilities	<u>20,536</u>	<u>-</u>	<u>-</u>	<u>20,536</u>
	<u>20,536</u>	<u>21,142</u>	<u>-</u>	<u>41,678</u>
Net assets / liabilities (-)	<u>333,669</u>	<u>(21,142)</u>	<u>73</u>	<u>312,600</u>

GENERALI PPF ASSET MANAGEMENT a.s.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

20 FINANCIAL RISKS (continued)

(g) Interest rate risk (continued)

At 31 December 2008

Assets	Within <u>3 months</u> CZK'000	3 - 12 <u>months</u> CZK'000	Not <u>specified</u> CZK'000	<u>Total</u> CZK'000
Cash and cash deposits	-	-	93	93
Due from banks	241,074	-	-	241,074
Due from nonbanking entities	6,477	319	-	6,796
Other assets	<u>504</u>	<u>29</u>	<u>-</u>	<u>533</u>
	<u>248,055</u>	<u>348</u>	<u>93</u>	<u>248,496</u>
Liabilities				
Due to nonbanking entities	1,546	-	-	1,546
Provisions	-	7,080	-	7,080
Other liabilities	<u>16,514</u>	<u>11,451</u>	<u>-</u>	<u>27,965</u>
	<u>18,060</u>	<u>18,531</u>	<u>-</u>	<u>36,591</u>
Net assets / liabilities (-)	<u>229,995</u>	<u>(18,183)</u>	<u>93</u>	<u>211,905</u>

(h) 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 uncertainty as to their currency position and maturity. The tables concerning interest rate sensitivity of assets and payables contain only interest-rate-sensitive assets and payables.

GENERALI PPF ASSET MANAGEMENT a.s.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

20 FINANCIAL RISKS (continued)

(h) Liquidity risk (continued)

At 31 December 2009

Assets	Within <u>3 months</u> CZK'000	3 - 12 <u>months</u> CZK'000	Not <u>specified</u> CZK'000	<u>Total</u> CZK'000
Cash and cash deposits	-	-	73	73
Due from banks	342,176	-	-	342,176
Due from nonbanking entities	11,852	-	-	11,852
Other assets	<u>177</u>	=	=	<u>177</u>
	<u>354,205</u>	=	<u>73</u>	<u>354,278</u>
Liabilities				
Provisions	-	21,142	-	21,142
Other liabilities	<u>20,536</u>	=	=	<u>20,536</u>
	<u>20,536</u>	<u>21,142</u>	=	<u>41,678</u>
Net assets / liabilities (-)	<u>333,669</u>	<u>(21,142)</u>	<u>73</u>	<u>312,600</u>

At 31 December 2008

Assets	Within <u>3 months</u> CZK'000	3 - 12 <u>months</u> CZK'000	Not <u>specified</u> CZK'000	<u>Total</u> CZK'000
Cash and cash deposits	-	-	93	93
Due from banks	241,074	-	-	241,074
Due from nonbanking entities	6,477	319	-	6,796
Other assets	<u>504</u>	<u>29</u>	=	<u>533</u>
	<u>248,055</u>	<u>348</u>	<u>93</u>	<u>248,496</u>
Liabilities				
Due to nonbanking entities	1,546	-	-	1,546
Provisions	-	7,080	-	7,080
Other liabilities	<u>16,514</u>	<u>11,451</u>	=	<u>27,965</u>
	<u>18,060</u>	<u>18,531</u>	=	<u>36,591</u>
Net assets / liabilities (-)	<u>229,995</u>	<u>(18,183)</u>	<u>93</u>	<u>211,905</u>

21 SUBSEQUENT EVENTS

Recent volatility in financial markets

The current economic situation has partially influenced the Company's scope of activity. The management is unable to estimate how a potential deterioration in the liquidity of the financial markets and increase in volatility will affect the Company. Nevertheless, it does not think that the potential impact on the economic results will be significant, mainly because of the nature of the Company's revenue and the fee collection method.

There were no other 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 2009.

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

Date of preparation

Signature of the statutory

16 March 2010

A handwritten signature in black ink, appearing to read 'J. P. P.', is written over the 'Signature of the statutory' label.

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 2009 to 31 December 2009

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 2009 to 31 December 2009 (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 2009 a member of the group headed by Assicurazioni Generali S.p.A., a company with its registered office at the address Piazza Duca degli Abruzzi 2, Trieste, 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, 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

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
CP Reinsurance Company Ltd. (KOTYLA HOLDING LIMITED – since 18 February 2010)	HE 148 685	Amendment No. 9 to the Asset Management Agreement dated 21 June 2004
		Amendment No. 10 to the Asset Management Agreement dated 21 June 2004
		Amendment No. 11 to the Asset Management Agreement dated 21 June 2004
Česká pojišťovna a.s.	45272956	Insurance Agreement – combined automobile insurance – 5
		Travel Insurance Agreements – 26 in total
		Amendment No. 11 to the Asset Management Agreement dated 1 September 2003
		Agreement on the term of protection
		Agreement on the temporary non claim of limits

Company	ID No.	Agreement
ČP INVEST investiční společnost, a.s.	43873766	Amendment No. 6 to the Collective Investment Fund Asset Management Agreement
		Amendment No. 7 to the Collective Investment Fund Asset Management Agreement
		Amendment No. 8 to the Collective Investment Fund Asset Management Agreement
		Amendment No. 9 to the Collective Investment Fund Asset Management Agreement
		Amendment No. 10 to the Collective Investment Fund Asset Management Agreement
Penzijní fond České pojišťovny a.s.	61858692	Amendment No. 2 to the Asset Management Agreement dated 19 December 2007
		Amendment No. 3 to the Asset Management Agreement dated 19 December 2007
		Amendment No. 4 to the Asset Management Agreement dated 19 December 2007
Generali PPF Invest PLC	468417	Investment Management Agreement
Generali Slovensko poisťovňa, a.s.	35709332	Agreement on non-performance of rebalancing of reference portfolio
Generali Pojišťovna a.s.	61859869	Amendment No. 1 to the Asset management Agreement dated 13 October 2008
		Amendment No. 2 to the Asset management Agreement dated 13 October 2008
		Amendment No. 3 to the Asset management Agreement dated 13 October 2008
		Amendment No. 4 to the Asset management Agreement dated 13 October 2008
Generali Penzijní fond a.s.	63998475	Amendment No.2 to the Asset Management Agreement
		Amendment No. 3 to the Asset Management Agreement
		Amendment No. 4 to the Asset Management Agreement
GP REINSURANCE EAD	200270243	Amendment No. 1 to the Asset management Agreement dated 31 December 2008
		Amendment No. 2 to the Asset management Agreement dated 31 December 2008
		Amendment No. 3 to the Asset management Agreement dated 31 December 2008
		Amendment No. 4 to the Asset management Agreement dated 31 December 2008
		Amendment No. 5 to the Asset management Agreement dated 31 December 2008
Generali PPF Holding B.V.	28239652	Agreement on Services Providing

Company	ID No.	Agreement
Generali Pojišťovna a.s.	61859869	Agreement on Fulfilment of Obligations resulting from participation in Group
Generali Penzijní fond a.s.	63998475	
První Callin agentura a.s.	27108562	
Generali PPF Holding B.V.	28239652	
ČP INVEST investiční společnost, a.s.	43873766	
Česká pojišťovna a.s.	45272956	
Česká pojišťovna ZDRAVÍ, a.s.	49240749	
Generali Servis s.r.o.	61509540	
Penzijní fond České pojišťovny a.s.	61858692	

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

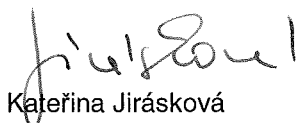
All of the mentioned agreements were concluded under conditions usual in commercial relations, just as all services under these agreements were provided and received under conditions usual in commercial relations, and the Company incurred no damages from these agreements.

VII. Final declarations

The report was prepared by the Board of Directors of the controlled party Generali PPF Asset Management a.s. on 31 March 2010 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, 31 March 2010

For the Board of Directors of the controlled party:



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