

Generali PPF Asset Management a.s.

Annual Report 2013

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Generali PPF Asset management a.s.:

- I. We have audited the financial statements of Generali PPF Asset management, a.s. (hereinafter "the company") for the year ended December 2013, disclosed on pages 18 - 43, to which we have on 14 April 2014 issued the following opinion:

"We have audited the accompanying financial statements of Generali PPF Asset Management a. s. which comprise the balance sheet as at 31 December 2013, and the income statement, statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Generali PPF Asset Management a. s. see Note 1 to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Czech Republic, and for such internal control as management 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 and International Standards on Auditing as amended by implementation 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 an 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of 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 present fairly, in all material respects, the financial position of Generali PPF Asset Management a.s. as at 31 December 2013, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic."

- II. We have also audited the consistency of the annual report with the financial statements described above. The management of Generali PPF Asset management a.s. is responsible for the accuracy of the annual report. Our responsibility is to express, based on our audit, an opinion on the consistency of the annual report with the financial statements.

We conducted our audit in accordance with International Standards on Auditing and the related implementation guidance issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the information presented in the annual report that describes the facts reflected in the financial statements is consistent, in all material respects, with the financial statements. We have checked that the accounting information presented in the annual report is consistent with that contained in the audited financial statements for the year ended 31 December 2013. Our work as auditors was confined to checking the annual report with the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the Company. We believe that our audit provides a reasonable basis for our opinion.

Based on our audit, the accounting information presented in the annual report is consistent, in all material respects, with the financial statements described above.


- III. In addition, we have reviewed the accuracy of the information contained in the report on relations between related parties of Generali PPF Asset management a.s. for the year ended 31 December 2013 presented in the annual report of the Company on pages 44 - 49. The management of Generali PPF Asset management a.s. is responsible for the preparation and accuracy of the report on related parties. Our responsibility is to issue a report based on our review.

We conducted our review in accordance with the applicable International Standard on Review Engagements and the related Czech standard No. 56 issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the review to obtain moderate assurance as to whether the report on related parties is free from material misstatement. The review is limited primarily to enquiries of company personnel, to analytical procedures applied to financial data and to examining, on a test basis, the accuracy of information, and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the report on related parties of Generali PPF Asset management a.s. for the year ended 31 December 2013 is materially misstated.



Ernst & Young Audit, s. r. o.
License No. 401
Represented by



Tomas Nemecek
Partner



Jakub Kolar
Auditor, License No. 2280

30 April 2014
Prague, Czech Republic

Information about Generali PPF Asset Management a.s.

Incorporation date:	3 December 1997
Registered office:	Prague 4, Nusle, Na Pankráci 1658/121, postcode 140 00
Registered capital:	CZK 52 million
Auditor for 2013:	Ernst & Young Audit, s.r.o..
Board of Directors:	Axel Sima – member of the Board of Directors Pert Dobiáš – member of the Board of Directors
Supervisory Board:	Gregor Pilgram – chairman of the Supervisory Board Marco Maffioli – member of the Supervisory Board Carlo Schiavetto – member of the Supervisory Board
Company management:	Axel Sima – CEO
Main activities:	the management of clients' assets and related investment services, investment advisory services, securities trading

Business sphere:

The provision of the following investment services:

Main investment services

- pursuant to Section 4 Paragraph 2a) of Act 256/2004 Coll. on capital market undertakings (the "Capital Market Undertakings Act" or CMUA), the receipt and submission of instructions relating to investment instruments in relation to those investment instruments set forth in Section 3 Paragraph 1a) to k) of the CMUA;
- pursuant to Section 4 Paragraph 2b) of the CMUA the implementation of instructions relating to investment instruments at the client's account in relation to those investment instruments set forth in Section 3 Paragraph 1a) to k) of the CMUA;
- pursuant to Section 4 Paragraph 2c) of the CMUA trading with investment instruments at the company's own account in relation to those investment instruments set forth in Section 3 Paragraph 1a) to k) of the CMUA;
- pursuant to Section 4 Paragraph 2d) of the CMUA the management of the client's assets if an investment instrument is part of said assets at the company's own discretion within the framework of contractual agreement and in relation to those investment instruments set forth in Section 3 Paragraph 1a) to k) of the CMUA;
- pursuant to Section 4 Paragraph 2e) of the CMUA investment advisory services relating to investment instruments in relation to those investment instruments set forth in Section 3 Paragraph 1a) to k) of the CMUA;
- pursuant to Section 4 Paragraph 2g) of the CMUA the subscription or placement of investment instruments with an obligation for their subscription;
- pursuant to Section 4 Paragraph 2h) of the CMUA the placement of investment instruments without an obligation for their subscription.

Additional investment services

- pursuant to Section 4 Paragraph 3a) of the CMUA the custody and administration of investment instruments, including related services, in relation to those investment instruments set forth in Section 3 Paragraph 1a) to k) of the CMUA;
- pursuant to Section 4 Paragraph 3c) of the CMUA advisory services relating to capital structure, industrial strategy and related questions, and the provision of advice and services related to company transformations or the transfer of an enterprise;
- pursuant to Section 4 Paragraph 3d) of the CMUA the provision of investment recommendations and analyses of investment opportunities or similar general recommendations relating to trading with investment instruments in relation to those investment instruments set forth in Section 3 Paragraph 1a) to k) of the CMUA.

Sole shareholder:

CZI Holdings N.V.
Diemerhof 32, 1112XN Diemen
Kingdom of the Netherlands
Company registration no.: 342 45 976

Amendments and additions in the Commercial Register in the accounting period expired:

The following changes were made in the Commercial Register during the accounting period expired:

- 24 May 2013 deletion of the member of the Board of Directors Marcel Dostal (term of office ended on 30 April 2013)
- 24 May 2013 deletion of the chair of the Supervisory Board Kateřina Jirásková (term of office ended on 30 April 2013)
- 24 May 2013 deletion of the member of the Supervisory Board Pavel Fuchs (term of office ended on 30 April 2013)
- 24 July 2013 entry of the member of the Board of Directors Axel Sima (term of office began on 14 June 2013)
- 24 May 2013 entry of the member of the Supervisory Board Marco Maffioli (term of office began on 1 May 2013)
- 7 November 2013 deletion of the member of the Supervisory Board Libora Mašíčka (term of office ended on 30 September 2013)
- 7 November 2013 entry of the chair of the Supervisory Board Gregor Pilgram (term of office began on 1 October 2013)
- 7 November 2013 entry of the member Supervisory Board Carlo Schiavetto (term of office began on 1 October 2013)
- 2 December 2013 entry of the new registered office of the company - Na Pankráci 1658/121, Nusle, 140 00 Prague 4

Other information

The company's registered capital is CZK 52 million. The Company's equity as at 31 December 2013 is CZK 428 million. In 2013 the company made a profit of CZK 105 million. The table below shows certain other quantitative indicators:

1. Information on capital

- a. Summarised information on the conditions and main characteristics of capital and its component parts, including instruments, in accordance with Section 55b of Decree 123/2007 Coll.:

The company holds capital of CZK 286,001 thousand. This comprises Tier 1 capital of CZK 286,880 thousand reduced by deductible items totalling CZK 879 thousand. The total level of core capital (Tier 1) consists of paid-up registered capital of CZK 52,000 thousand, statutory reserve funds of CZK 10,400 thousand, and retained earnings of previous years of CZK 260,342 thousand, reduced by intangible assets of CZK 452 thousand.

- b. Information on capital under Article 1b) to f) of Appendix 30 to Decree 123/2007 Coll.:

Capital	1	321 847
Core capital (Tier 1)	2	322 380
Paid up registered capital recorded in the Commercial Register	3	52 000
Treasury stock	4	0
Issue premium	5	0
General reserve and retained earnings	6	270 833
Statutory reserve	7	10 400
Other reserve from division of profits	8	0
Retained earnings of previous years	9	260 433
Profit for fiscal period after taxation	10	0
Unrecovered loss of previous years	11	0
Final exchange rate differences from consolidation	12	0
Profit for current accounting period	13	0
Loss for current accounting period	14	0
Net profit for capitalisation of future income from securitisation	15	0
Profit/loss from evaluation of liabilities in real values by virtue of credit risk	16	0
Other exemptions from core capital	17	452
Goodwill	18	0
Intangible assets other than goodwill	19	452
Negative valuation difference from changes of real values of realised capital instruments	20	0
Participating securities issued by a party with a qualified share in the bank	21	0
Hybrid instruments total (Σ)	22	0
Hybrid instruments included in the level of core capital	23	0
Hybrid instruments included in up to 35% of core capital	24	0

Hybrid instruments included in up to 15% of core capital	25	0
Supplementary capital (Tier 2)	26	0
Main supplementary capital	27	0
Surplus in covering expected credit losses by IRB	28	0
Exceeding limits for hybrid instruments	29	0
Secondary supplementary capital	30	0
Subordinate debt A	31	0
Pos. evaluation difference from changes in real values of realised stock and mutual fund certificates	32	0
Exemptions from core and supplementary capital (Tier1+Tier2)	33	533
Capital investments above 10 % in banks and other financial institutions	34	0
Capital investments above 10 % in banks insurance companies	35	0
Capital investments up to 10 % in institutions and financial institutions	36	0
Important prudent modifications using market valuation over valuation by model	37	0
Exposure from securitisation with risk weight 1250%	38	0
Insufficiency in coverage of anticipated credit losses by IRB	39	0
Overhang of other than important prudent modifications over subordinate debt B	40	533
Deduction on free supplies	41	0
Capital for coverage of market risk (Tier 3)	42	0
Subordinate debt B	43	0
Other than important prudent modifications by market valuation or valuation by model	44	0

2. Information on capital requirements

A	B	1
Total capital requirements	1	71 938
Total capital requirement for credit risk	2	17 670
Total capital requirement for credit risk by STA	3	17 670
Total capital requirement for credit risk by STA to exposures	4	17 670
Capital requirement by STA for exposure to central governments and banks	5	0
Capital requirement by STA for exposure to regulated governments and local bodies	6	
Capital requirement by STA for exposure to public sector organisations and others	7	
Capital requirement by STA for exposure to international development banks	8	
Capital requirement by STA for exposure to international organisations	9	
Capital requirement by STA for exposure to institutions	10	17 463
Capital requirement by STA for business exposures	11	32

Capital requirement by STA for retail exposures	12	0
Capital requirement by STA for exposure to real estate	13	0
Capital requirement by STA for exposures after due date	14	0
Capital requirement by STA for regulatory high risk exposures	15	
Capital requirement by STA for exposures to covered bonds	16	
Capital requirement by STA for exposures to institutions and businesses with a short rating	17	0
Capital requirement by STA for exposures to collective investment funds	18	
Capital requirement by STA for other exposures	19	175
Capital requirement to credit risk by STA in IRB for total exposures	20	
Capital requirement by STA in IRB for exposures to central governments and banks	21	
Capital requirement by STA in IRB for exposures to institutions	22	
Capital requirement by STA in IRB for business exposures	23	
Capital requirement by STA in IRB for retail exposures	24	
Capital requirement by STA in IRB for stock exposures	25	
Capital requirement by STA in IRB for other exposures	26	
Capital requirement for credit risk by STA for securitised exposures	27	
Total capital requirement for credit risk by IRB	28	
Total capital requirement for credit risk by IRB for selected exposures	29	
Capital requirement by IRB for exposures to central governments and banks	30	
Capital requirement by IRB for exposure to institutions	31	
Capital requirement by IRB for business exposures	32	
Capital requirement by IRB for retail exposures	33	
Capital requirement for credit risk by IRB for stock exposures	34	
Capital requirement for credit risk by IRB for securitised exposures	35	
Capital requirement for credit risk by IRB for other exposures	36	
Capital requirement for settlement risk	37	
Total capital requirement for position, currency and commodity risk	38	0
Total capital requirement for market risk by standard approach (STA)	39	0
Capital requirement by STA for credit risk	40	
Capital requirement by STA for stock risk	41	
Capital requirement by STA for currency risk	42	0
Capital requirement by STA for commodity risk	43	
Capital requirement for market risk by approach based on own models	44	
Total capital requirement for operational risk	45	54 268

Capital requirement for operational risk by BIA	46	54 268
Capital requirement for operational risk by TSA	47	
Capital requirement for operational risk by ASA	48	
Capital requirement for operational risk by AMA	49	
Capital requirement for risk of involvement of the business portfolio	50	
Capital requirement for other instruments of business portfolio	51	
Temporary capital requirement – evening up to Basel 1	52	

3. Ratio indicators

1. Capital adequacy	35.79%
2. Debt ratio I	6.62%
3. Debt ratio II	7.09%
4. Return on average assets (ROAA)	23.10%
5. Return on average equity tier 1 (ROAE)	34.06%
6. Return on sales	36.82%
7. Administrative expenses per employee (in CZK)	2904,02

Other information

During 2013 the company had no expenses in the sphere of research and development, did not acquire any of its own shares or the shares of a controlling party, and had no branch office abroad.

Report of the Board of Directors

The development of the economy and financial markets in 2013

1. The Czech economy recovered from recession, while the CNB continued to relax its policy.

There was a revival of growth in the CR and the Eurozone as a whole during 2013. Although both economies continued to report annual shrinkage (Czech Republic: -0.9%), their GDP began to increase quarter-on-quarter as of 2Q2013. The Czech economy was held back by low investment expenses during 2013, though other segments of aggregate demand also impacted negatively (with the sole exception of government expenditure). Global economic growth slowed down slightly according to the IMF in both the advanced economies and also (and indeed to a greater extent) in developing markets (above all in Russia, since the global development of the commodity prices of oil did not provide the economy any additional incentive).

The basic GDP trajectory profile in the EMU was similar to that of the Czech Republic. The first quarter of 2013 saw a quarter-on-quarter drop in GDP, but things picked up from the second quarter onward. Several factors were involved. Firstly, the fiscal policy in the Eurozone was somewhat less restrictive than in the previous year. Secondly, not only did the ECB continue to relax its policy by means of cutting interest rates (the refinancing rate was reduced from 0.75 to 0.25 during the course of 2013), but more importantly, the fragmentation of financial markets was reduced in the Eurozone, and this supported the overall mood in the economy, including in the periphery countries. The explicit commitment of the ECB to do everything in order to protect the euro, as well as other measures taken in summer 2012, was very positive. Let us not forget that, despite the year-long drop in GDP, several countries, including Italy, Spain, Portugal and Ireland, also revived on a quarter-on-quarter basis during the course of 2013.

DEVELOPMENT OF SELECTED INDICATORS		2011	2012	2013
GDP World (IMF)	(real change in %)	3,9	3,1	3,0
GDP Eurozone	(real change in %)	1,4	-0,6	-0,4
GDP Czech Rep.	(real change in %)	1,8	-0,9	-0,9
Inflation EMU	(HICP, average in %)	2,7	2,5	1,4
Inflation Czech Rep.	(CPI, average in %)	1,9	3,3	1,4
Oil price	(Brent, average in \$)	111,0	112,0	108,8
EUR/USD	(annual average)	1,392	1,286	1,328
EUR/CZK	(annual average)	24,59	25,14	25,97
FED	(key interest rate in %, year-end)	0,25	0,25	0,25
ECB	(key interest rate in %, year-end)	1,00	0,75	0,25
CNB	(key interest rate in %, year-end)	0,75	0,05	0,05
10Y IRS USD	(in %, year-end)	2,02	1,79	3,05
10Y IRS EUR	(in %, year-end)	2,38	1,57	2,15
10Y IRS CZK	(in %, year-end)	2,17	1,34	2,06
S&P 500	(year-end level)	1257,6	1426,2	1848,4
Eurostoxx 50	(year-end level)	2316,6	2635,9	3109,0
PX	(year-end level)	911,1	1038,7	989,0

Data: Bloomberg, IMF

This year global economic growth is set to speed up, above all thanks to the developed economies, including the EMU, where the ECB anticipates a rise in GDP to 1.2%. A more favourable external environment should impact positively on the Czech economy by means of exports. In addition, Czech exports should benefit from the weaker koruna: in order to eliminate the risk of deflation the CNB decided at its strategic meeting in November 2013 to intervene on the foreign exchange market in order to maintain the Czech koruna at CZK 27.00/EUR or more (and peg the interest rate of monetary policy at 0.05%, i.e. "technical zero"), at least until the start of 2015. A weaker exchange rate has not only an immediate effect on the price level in the economy (and on inflationary expectations) but also improves the competitiveness of Czech exports (and local manufacturers against important goods), which in an ideal world will be manifest in an increased willingness on the part of domestic producers to increase expenses on investment and labour. In other words, the situation on the Czech jobs market should improve, and this would have longer-term positive effects on the consumer expenses of Czech households. In 2014 we expect Czech GDP to rise to 2.3%, while average inflation will be around 1.3 % (after the level of 1.4% recorded in 2013). However, this lower average inflation masks a combination of extremely low inflation at the start of the year (0.2% year-on-year during the first two months of 2014, with the significantly disinflationary impact of the price cuts for households energy bills) and a gradual increase over 2% year-on-year to the end of the year (as the impact of the weaker koruna on inflation becomes more visible and several disinflationary basal effects vanish,

which will apply above all in the case of the price of food). In this respect we would point out that average inflation in the CR is set to reach 2% in 2015, though this overstepping of the inflation target should only be temporary and is part of the CNB's efforts in the fight against deflationary risks.

As far as public finances are concerned, the public sector deficit fell in 2013 from 4.2 to 1.4 of GDP (against the government target of 2.9%). The public sector deficit limit has again been set for this year at 2.9% of GDP and this figure could be lower thanks to the improved productivity of the Czech economy, which has outstripped the original fiscal plans for 2014. It is worth noting that this fiscal impulse should create a relatively more favourable environment for growth in the Czech economy during 2014 than during previous years. The fact that the Czech Republic has a new government after the elections to parliament held in October 2013 in our opinion does not change the outlook for public sector deficits below the boundary of 3% of GDP in future years, for the purpose of compliance with the Maastricht criteria.

2. Developments on the financial markets were dominated by the monetary policy of the United States during 2013

The main role in the development of the financial market in 2013 was played by factors relating to the United States, namely discussions on the debt ceiling and FED tapering. The controls placed on quantitative easing by the FED became a hot topic for discussions regarding the impact on markets during the second quarter of 2013, even though the FED only announced the initiation of this process at its meeting in December 2013. While signals that tapering would begin later in 2013 pushed up risk-free revenues both in the US and the Eurozone during 2Q2013, the reaction of risk-free assets was more one off. These facts had no lasting negative impacts on the markets for government bonds of Eurozone periphery countries, but developing markets (and especially countries that have to deal with greater external imbalances – the Fragile Five) reacted more sensitively to the tapering factor, a fact visible in their performance during the first months of 2014. The mood of investors on the periphery of the EMU was supported not only by the commitment/measures of the ECB from summer 2012 (the “Draghi Put”, cutting ECB deposit rates to zero, and announcing a programme of outright monetary transactions), but also economic revival manifest across most countries of the EMU during 2013, including the periphery countries.

During 2013 the US stock exchange performed extremely well (S&P500 rose by 30% over the year). European shares also had a good year (DJ Euro Stoxx 600: +17.4% in 2013), while shares in developing countries fell by almost 5% (MSCI Emerging Markets).

European credit instruments also reported sound results in 2013, though not quite as impressive as shares (iBoxx Corporate was up 2.2 %; financial: 2.9%; non-financial: 1.7%), since both absolute yields and the potential for a further tightening of the spread were relatively restricted in 2013 as a consequence of the significant tightening of credit spreads during the second half of 2012.

Government bond yields in the US and Germany rose during 2013, especially in spring, when the first signals of tapering appeared in the US. Yields on the Germany 10Y Bund rose by 61 bp in 2013 to 1.93% and the yield on 10Y US Treasury bonds rose by 127 bp to 3.03%. The overall yield on ten-year government bonds in 2013 was -3.3% for the US and -2.2 % for Germany.

The yield on the 10Y CZGB bond rose during 2013 by 68 bp to 2.52%. The spread on the 10Y CZGB bond against the Bund rose slightly from 52 bp at the start of the year to 59 bp at year end.

Performance of portfolios in 2013

As in previous years in 2013 most assets being managed by GPAM were from institutional clients, especially insurance companies and pension funds domiciled in the EU. The second most important source of assets were mutual funds. The biggest change was in the sphere of Czech pension funds as a consequence of the reform to the third pillar and the introduction of a second pillar at the start of 2013. At present GPAM is managing four new funds within the framework of the second pillar, as well as four new funds as part of the

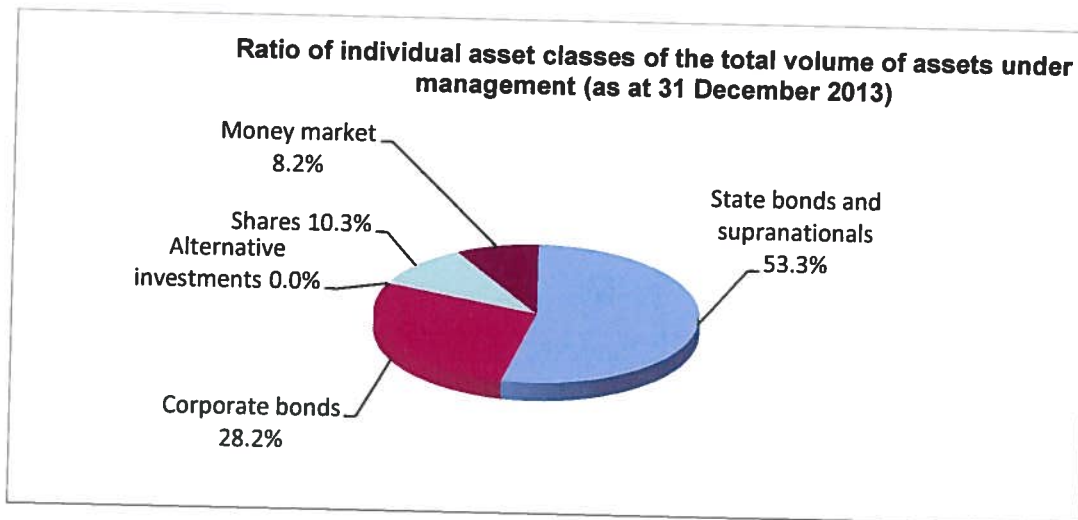
third pillar. These funds employ various different strategies, from the highly conservative to funds with a higher than 50% allocation in shares. We are also witnessing a long-term trend involving a relative increase in assets related to pension funds as compared to others. As far as the distribution of assets is concerned, the biggest challenge is represented by ongoing virtually zero risk-free interest rates, which in comparison with the situation in the past are significantly reducing the absolute performance of most fixed-income portfolios and mixed portfolios.

In order to be able to master all these difficulties we need a stable, experienced team, especially of front-office and analytical employees. We are focusing on long-term access to every portfolio and we are also deeply convinced of the necessity for teamwork, not only in these two sectors but across the entire company.

We remain faithful to our long-term strategy and principles. This involves managing the assets of our clients in such a way that in the poor years any possible fall in their value is strictly limited, while in the good years any increase in the price of assets is fully reflected in their return. 2013 was slightly more problematic than 2012, when basically all asset classes reported positive results. In 2013 we had to be more selective. Suitable diversification is thankfully one of the key pillars of our investment strategy, and this allows us to compensate for the relatively worse performance of certain regional assets with the outstanding performance of others, e.g. American stocks. Overall we managed for most of our institutional clients to attain significantly higher absolute returns in comparison with government bonds, thanks to the combination of strategic and tactical positions. In the case of mutual funds one of the appropriate signs of a strong performance is comparison with a third-party benchmark. Most of our funds belong to the best funds on the Czech market in their market segment. For instance, we would simply mention two pivotal funds, the corporate bond fund and the conservative fund (short-term bonds with a fixed income).

If we may, we would like to recapitulate the most important points of our approach to portfolios. We are convinced that one of the key signs of a well chosen strategy is that it is not necessary to make any large structural changes to this strategy during the course of the economic cycle. Our strategy passed this test, since over the course of the last few years we have basically made no changes, and this has permitted us to achieve good results both in the good years and in the relatively more demanding periods. We would draw attention to the following principles above all:

- A focus on the simplest instruments. We have always given precedence to simpler instruments over more complex ones in the light of the possibilities of each portfolio.
- A great emphasis on the liquidity of securities. We are only willing to accept less liquid securities in the case of a high liquid premium.
- A focus on fundamentally sound companies in the sphere of credit investments. We managed to avoid investing in credit linked with the debt crisis on the periphery of Europe and focused on individual issuers from “healthy” countries, above all from our own region.
- A focus on the region of Central and Eastern European when investing directly in shares.
- We create our clients’ portfolios in such a way that they are able to participate in the long-term increase in risky assets but enjoy maximum security in the event of a deterioration of the debt crisis.
- The proper identification of asset class with the best risk modified performance. Over the last few years this approach has led to investments in credit being increased within the framework of strategic allocation.



Prague, 23 April 2014


 Axel Sima
 Member of the Board of Directors
 Generali PPF Asset Management a.s.


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

Report by the Board of Directors on the business activities and assets of Generali PPF Asset Management a.s. and the annual financial statements for the year ended 31 December 2013

One of the main tasks of today's decision by the sole shareholder acting in the capacity of the General Meeting of Generali PPF Asset Management a.s. is to approve the financial results reported by Generali PPF Asset Management a.s. for 2013.

The balance sheet of Generali PPF Asset Management a.s. as at 31 December 2013 includes assets totalling CZK 458,228 thousand in the following structure:

- Cash in hand CZK 46 thousand
- Receivables from banks CZK 423,586 thousand
- Receivables from non-bank entities CZK 17,233 thousand
- Intangible and tangible fixed assets CZK 985 thousand
- Other assets CZK 15,226 thousand
- Prepaid expenses and unbilled revenues CZK 1,152 thousand

Liabilities totalling CZK 458,228 thousand are in the following structure:

- Payables to non-bank entities CZK 36 thousand
- Other liabilities CZK 30,380 thousand
- Accruals and deferred income CZK 0 thousand
- Equity CZK 427,812 thousand
- Provisions for taxes CZK 0 thousand

Equity comprises:

- Registered capital amounting to CZK 52,000 thousand
- Reserve funds, indivisible funds and other funds created from profit CZK 10,400 thousand
- Retained earnings CZK 260,432 thousand
- Current year profit/(loss) CZK 104,980 thousand

Main information from the income statement:

- Profit for the year from ordinary activities before taxes CZK 131,374 thousand
- Profit for the year from extraordinary activities before taxes CZK 0 thousand
- Income tax expense CZK 26,394 thousand
- Profit for the year after taxes CZK 104,980 thousand

Prague, 10 April 2014

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Axel Sima
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.

Information about the basis for calculation of the contribution to the Guarantee Fund of Securities Traders

In accordance with Section 129 of Act No. 256/2004 Coll., on Capital Market Undertakings, as amended, Generali PPF Asset Management a.s. as a securities trader is obliged to contribute an annual contribution in the amount of 2% of the total revenues from fees and commissions for investment services granted in the last calendar year to the Guarantee Fund of Securities Traders. The minimum annual contribution of securities traders to the Fund is CZK 10 thousand. The contribution to the GF OCP is payable no later than on 31 March of the year, following the reference year for calculation.

Revenues from fees and commissions for investment services granted amounted to CZK 285,127 thousand in 2013. The contribution to the GF OCP was calculated as 2% of the total of fees and commissions and an amount of CZK 5,703 thousand was credited via direct bank transfer to the Guarantee Fund of Securities Traders account on 24 March 2014.

Generali PPF Asset Management a.s.
Notes to the financial statements
Year ended 31 December 2013

APPENDIX No. 1

Generali PPF Asset Management a.s.

Independent auditor`s report and the financial statements

for the year ended 31 December 2013

Generali PPF Asset Management a.s.
Notes to the financial statements
Year ended 31 December 2013

Generali PPF Asset Management a.s.

Independent auditor's report
and financial statements

For the year ended 31 December 2013

Generali PPF Asset Management a.s.

Residence: Na Pankraci 1658/121, 140 21, 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 2013

Date of preparation: 27 March 2014

Balance sheet

as at 31 December 2013

(CZK'000)	Note	31 December 2013	31 December 2012
ASSETS			
Cash		46	38
Due from banks	3	423,586	466,841
a) repayable on demand		6,415	5,655
b) other receivables		417,171	461,186
Due from nonbanking entities - other	4	17,233	14,379
Long-term intangible fixed assets	5	452	537
Long-term tangible fixed assets	5	533	879
Other assets	6	15,226	4,029
Prepayments and accrued income		1,152	8,292
Total assets		458,228	494,995

LIABILITIES AND EQUITY

Liabilities against non-bank institutions	8	36	8
Other liabilities	9	30,380	30,631
Accruals and deferred income	10	-	84
Share capital fully paid	11	52,000	52,000
Statutory reserve fund	11	10,400	10,400
Retained earnings from previous periods	11	260,432	225,017
Profit for the accounting period	11	104,980	176,855
Total liabilities and equity		458,228	494,995

Off-balance sheet

As at 31 December 2013

(CZK'000)	Note	31 December 2013	31 December 2012
Off-balance sheet liabilities:			
Assets held under custody	12	216	133
Assets under management	12	234,381,604	223,342,767
Total off-balance sheet liabilities		234,381,820	223,342,900

Generali PPF Asset Management a.s.

Notes to the financial statements

For the year ended 31 December 2013

Income statement

for the year ended 31 December 2013

(CZK'000)	Note	2013	2012
Interest and similar income	13	1,156	4,728
Fee and commission income	14	285,127	362,159
Fee and commission expense	15	(7,277)	(107)
Gains less losses from financial transactions	16	99	(142)
Other operating income	17	1,667	1,355
Other operating expense	18	(11,775)	(13,658)
Administrative expense	19	(136,656)	(134,612)
of which: a) staff costs		(97,964)	(93,333)
of which: aa) wages and salaries		(77,291)	(76,150)
ab) social and health insurance		(17,232)	(13,146)
ac) other staff costs		(3,441)	(4,037)
b) other administrative expenses		(38,692)	(41,279)
Depreciation for long-term tangible and intangible fixed assets	5	(967)	(1,023)
Profit on ordinary activities before taxation		131,374	218,700
Income tax	20	(26,394)	(41,845)
Profit for the accounting period after taxation		104,980	176,855

Statement of changes in equity

for the year ended 31 December 2013

(CZK'000)	Share capital	Statutory reserve fund	Retained earnings	Profit for the year	Total
Balance as at 1 January 2012	52,000	10,400	357,929	-	420,329
Net profit for the accounting period	-	-	-	176,855	176,855
Dividends	-	-	(132,912)	-	(132,912)
Balance as at 31 December 2012	52,000	10,400	225,017	176,855	464,272
Transfer to retained earnings	-	-	176,855	(176,855)	-
Net profit for the accounting period	-	-	-	104,980	104,980
Dividends	-	-	(141,440)	-	(141,440)
Balance as at 31 December 2013	52,000	10,400	260,432	104,980	427,812

Generali PPF Asset Management a.s.

Notes to the financial statements

For the year ended 31 December 2013

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.
Diemerhof 42
1112XN Diemen

The Netherlands
Identification code: 342 45 976

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

The 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 the case of securities transactions, the transaction date refers to the day of negotiating a securities transaction.

Generali PPF Asset Management a.s.

Notes to the financial statements

For the year ended 31 December 2013

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. The 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 the advisory service are 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 the 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 created based on the individual assessment of recoverability.

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, but only for 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.

Generali PPF Asset Management a.s.

Notes to the financial statements

For the year ended 31 December 2013

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

Software	36 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, which have been recognized as long-term fixed assets, 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. Income tax

The income tax expense is calculated in accordance with Czech legislation using the actual statutory tax rate and the profit reported in the income statement prepared in agreement with Czech Accounting Standards, including or excluding the permanently or temporarily non-deductible expenses and non-taxable income. The income tax rate is 19 %.

2.10. Value added tax

As at 1 January 2009 the Company became part of a group, which is registered for value added tax (hereinafter "VAT"), where the representative member of the group is Česká pojišťovna a.s. To a large extent, the Company together with the group have 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.

2.11. 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.

2.12. Staff costs, pensions and social fund

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

Generali PPF Asset Management a.s.

Notes to the financial statements

For the year ended 31 December 2013

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.

2.13. Related parties

The Company defined its related parties in accordance with Decree No. 501/2002 Coll. and IAS 24, related parties are considered 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 an 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 4, 6, 8, 9, 11, 12, 14, 18 and 19.

2.14. 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.

Generali PPF Asset Management a.s.

Notes to the financial statements

For the year ended 31 December 2013

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.

2.15. Explanation added for translation into English

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

3. Due from banks

(CZK'000)	31 December 2013	31 December 2012
Current accounts with banks	6,415	5,655
Term deposits with banks	417,171	461,186
Total due from banks	423,586	466,841

The Company does not have balances on foreign bank accounts in the reporting periods.

The Company predominantly uses the banking services of the company PPF banka a.s., where the financial resources of CZK 243,186 thousand are deposited (2012: CZK 246,399 thousand).

4. Due from non-banking entities

4.1. Receivables by type of debtor

(CZK'000)	31 December 2013	31 December 2012
Receivables from non financial organisations - individuals	85	2,243
Receivables from non financial organisations - legal entities	317	232
Receivables from financial organisations - collective investment entities	4,125	2,689
Receivables from financial organisations - pension companies	8,634	4,908
Receivables from financial organisations - insurance companies	4,072	4,307
Total	17,233	14,379

Generali PPF Asset Management a.s.

Notes to the financial statements

For the year ended 31 December 2013

4.2. Receivables from related parties

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

(CZK'000)	31 December 2012	Additions	Disposals	31 December 2013
Receivables against non financial organisations – legal entities, of which:	229	7,738	(7,658)	309
CZI Holding N.V. company, ID No: 34245976	-	1,400	(1,400)	-
Generali PPF Holding B.V.	229	6,338	(6,258)	309
Receivables against financial organisations – collective investment entities, of which:	2,689	42,524	(41,088)	4,125
ČP Invest investiční společnost, a.s., Prague 1, ID No: 43873766	764	31,665	(31,553)	876
Generali PPF Invest PLC, 33 Sir John Rogerson's, Quasy, Dublin 2, Ireland	1,925	10,859	(9,535)	3,249
Receivables against financial organisations – pension companies, of which:	4,908	81,029	(77,303)	8,634
Penzijní společnost České pojišťovny a.s., Prague 1, ID No: 61858692	4,663	78,882	(74,911)	8,634
Generali penzijní společnost a.s., Prague 2, ID No: 63998475	245	2,147	(2,392)	-
Receivables against financial organisations – insurance companies, of which:	3,977	148,323	(148,575)	3,725
Česká pojišťovna a.s., Prague 1, ID No: 45272956	2,111	77,991	(78,154)	1,948
Česká pojišťovna zdraví a.s., Prague 10, ID No: 49240749	44	1,362	(1,372)	34
Generali Slovensko poisťovňa, a.s., Bratislava, ID No: SK2021000487	342	13,536	(13,506)	372
Generali Pojišťovna a.s., Prague 2, ID No: 61859869	1,002	37,964	(38,060)	906
GP Reinsurance EAD, Bulgaria	478	17,470	(17,483)	465
Total receivables from related parties	11,803	279,614	(274,624)	16,793

As at 1 January 2013, Penzijní fond České pojišťovny a.s. transformed to Penzijní společnost České pojišťovny a.s. and Generali penzijní fond a.s. transformed to Generali penzijní společnost a.s. The latter was merged with Penzijní společnost České pojišťovny a.s. as at 1 January 2013.

Generali PPF Asset Management a.s.

Notes to the financial statements

For the year ended 31 December 2013

5. Long-term intangible and tangible fixed assets

5.1. Long term intangible fixed assets

(CZK'000)	Software	Other	Total
At 1 January 2012			
Cost	6,505	1,674	8,180
Accumulated amortisation	(5,977)	(1,554)	(7,532)
Net book amount	528	120	648
Year ended 31 December 2012			
Opening net book amount	528	120	648
Additions	276	-	276
Amortisation charge	(312)	(75)	(387)
Closing net book amount	492	45	537
At 31 December 2012			
Cost	6,783	1,674	8,457
Accumulated amortisation	(6,291)	(1,629)	(7,920)
Net book amount	492	45	537
Year ended 31 December 2013			
Opening net book amount	492	45	537
Additions	328	-	328
Amortisation charge	(368)	(45)	(413)
Closing net book amount	452	-	452
At 31 December 2013			
Cost	7,110	1,674	8,784
Accumulated amortisation	(6,658)	(1,674)	(8,332)
Net book amount	452	-	452

Generali PPF Asset Management a.s.

Notes to the financial statements

For the year ended 31 December 2013

5.2. Long-term operating tangible fixed assets

(CZK'000)	Property and plant	Equipment	Other	Total
At 1 January 2012				
Cost	1,447	135	2,309	3,891
Accumulated depreciation	(1,203)	(135)	(1,592)	(2,930)
Net book amount	244	-	717	961
Year ended 31 December 2012				
Opening net book amount	244	-	717	961
Additions	-	-	578	578
Disposals	-	-	(24)	(24)
Depreciation charge	(145)	-	(491)	(636)
Closing net book amount	99	-	780	879
At 31 December 2012				
Cost	1,142	87	2,268	3,497
Accumulated depreciation	(949)	(87)	(1,582)	(2,618)
Net book amount	193	-	686	879
Year ended 31 December 2013				
Opening net book amount	193	-	686	879
Additions	46	-	171	217
Disposals	-	-	(9)	(9)
Depreciation charge	(128)	-	(426)	(554)
Closing net book amount	111	-	422	533
At 31 December 2013				
Cost	1,097	87	2,018	3,202
Accumulated depreciation	(986)	(87)	(1,596)	(2,669)
Net book amount	111	-	422	533

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

(CZK'000)	2013	2012
Depreciation of tangible fixed assets	554	636
Amortisation of intangible fixed assets	413	387
Total depreciation and amortisation	967	1,023

Generali PPF Asset Management a.s.

Notes to the financial statements

For the year ended 31 December 2013

6. Other assets, prepayments and accrued income

Other assets

(CZK'000)	31 December 2013	31 December 2012
Other debtors	1,017	1,202
Due from employees	-	4
Receivables against exempted tax from the Financial Office	8	8
Receivable against overpayment to the Chamber of Commerce from the Financial Office in Austria	4	-
Other contingencies gains	9	-
Overpayment on income tax advances	11,296	2,815
Deferred tax assets (note 20)	2,892	-
Total other assets	15,226	4,029
Of which from related parties	1,026	1,063

As at 31 December 2013, the paid tax advances on corporate income tax amount to CZK 40,585 thousand, the provision for income tax is CZK 29,289 thousand and the expected overpayment is CZK 11,296 thousand. As at 31 December 2012, the paid tax advances totaling CZK 42,195 thousand exceeded the expected current tax amounting to CZK 39,380 thousand; the expected overpayment was CZK 2,815 thousand.

Other receivables from related parties consist mainly of receivables from Generali PPF Holding of CZK 688 thousand (2012: CZK 688 thousand), Česká pojišťovna a.s. of CZK 329 thousand (2012: CZK 375 thousand) and contingencies gains of CZK 9 thousand against Generali Capital Management GmbH Vienna.

Prepayments and accrued income

(CZK'000)	31 December 2013	31 December 2012
Deferred expenses	-	7,125
Other deferred expenses	1,152	1,167
Total deferred expenses	1,152	8,292

The reason for accruals of deferred expenses as at 31 December 2012, comprising mainly employee benefits of CZK 7,125 thousand related to the upcoming periods, has ceased to exist. The release of this item is recorded in the income statement.

Generali PPF Asset Management a.s.

Notes to the financial statements

For the year ended 31 December 2013

7. Provisions

The movements in provisions can be analysed as follows:

Provisions for taxes (CZK'000)	31 December 2013	31 December 2012
At 1 January	-	1,888
Additions	29,289	39,380
Release of provisions to reflect tax advances paid	(29,289)	(41,268)
At 31 December	-	-

The Company does not recognize provisions for income taxes, because paid tax advances exceed the income tax provision. Tax liability represents the management's best estimate at the balance sheet date.

8. Liabilities due to non-bank institutions

As at 31 December 2013, the balance on Liabilities due to the non-bank institutions account is represented by overpayment of advance payments for commission income amounting to CZK 36 thousand (2012: CZK 8 thousand), due to a related party from the group holding CZK 32 thousand (2012: CZK 8 thousand).

9. Other liabilities

(CZK'000)	31 December 2013	31 December 2012
Liabilities for social and health insurance	1,101	1,168
Amounts due to state budget	607	2,879
Amounts due to employees	2,757	16,170
Payables from settlement with customers	101	82
Deferred tax	-	53
Anticipated liabilities	16,518	461
Other liabilities	9,296	9,818
Total other liabilities	30,380	30,631
Of which due to related parties	1,558	704

As at 31 December 2013, the anticipated liabilities comprised the estimate of the unbilled rent and rental services amounting to CZK 1,202 thousand, with the estimate of the accrual for bonuses and related social and health insurance amounting to CZK 15,250 thousand.

Generali PPF Asset Management a.s.

Notes to the financial statements

For the year ended 31 December 2013

(As at 31 December 2012, the anticipated liabilities comprised the estimate of the payment to the State budget for the failure to meet the ratio of people with disabilities to the total number of employees of the employer of CZK 123 thousand and the estimate of the costs of reimbursement of the leave of the employees to a new employer of CZK 337 thousand.)

Other payables include a payable amounting to CZK 5,703 thousand in respect of a contribution to the Guarantee Fund for Securities Traders (2012: CZK 7,243 thousand), a payable to the State budget for failure to fulfill meeting the ratio of people with disabilities to the total number of employees of the employer of CZK 116 thousand and a payable amounting to CZK 1,750 thousand for soliciting business fees.

Other liabilities to related parties consist mainly of a liability to Česká pojišťovna a.s. totaling CZK 1,222 thousand and to Generali PPF Holding B.V. of CZK 319 thousand.

10. Accruals and deferred income

(CZK'000)	31 December 2013	31 December 2012
Accruals	-	33
Deferred income	-	51
Accruals and deferred income	-	84
Of which due to related parties	-	51

11. Equity and profit distribution

11.1. Share capital

(CZK'000)	31 December 2013	31 December 2012
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 %.

Generali PPF Asset Management a.s.

Notes to the financial statements

For the year ended 31 December 2013

11.2. Profit distribution

It is proposed that the net profit of CZK 104,980 thousand for the year 2013 is distributed as follows:

(CZK'000)	2013
Dividends	83,928
Retained earnings	21,052
Net profit	104,980

The net profit of CZK 176,855 thousand for the year 2012, based on the sole shareholder decision as at 26 April 2013, was distributed as follows:

(CZK'000)	2012
Dividends	141,440
Retained earnings	35,415
Net profit	176,855

12. Assets under custody and management

(CZK'000)	31 December 2013	31 December 2012
Assets held under custody		
Shares	216	133
Total assets held under custody	216	133
Assets under management		
Cash	15,031,347	13,942,035
Debt securities	186,323,917	176,322,263
Shares	12,188,624	12,035,027
Other assets	20,837,716	21,043,442
Total assets under management	234,381,604	223,342,767
Total	234,381,820	223,342,900

Management considers that no present obligations were associated with these fiduciary duties at 31 December 2013 and 2012.

Assets held under management as at 31 December 2013 include assets received from related parties of CZK 233,034,244 thousand (2012: CZK 221,972,948 thousand).

Generali PPF Asset Management a.s.

Notes to the financial statements

For the year ended 31 December 2013

13. Interest and similar income

(CZK'000)	31 December 2013	31 December 2012
Interest income from current accounts	5	7
Interest income from term deposits in banks	1,151	4,721
Total interest income	1,151	4,728

14. Fee and commission income

(CZK'000)	31 December 2013	31 December 2012
Asset management fees	284,439	361,471
Fees for advisory services	688	688
Total fee and commission income	285,127	362,159
Of which from related parties	280,604	354,587

Fee and commission income from related parties comprises the income from Penzijní společnost České Pojišťovny, a.s. of CZK 78,882 thousand (2012: CZK 153,545 thousand), Česká pojišťovna a.s. of CZK 77,991 thousand (2012: CZK 81,111 thousand), Generali pojišťovna a.s. of CZK 37,964 thousand (2012: CZK 37,122 thousand) and from ČP INVEST investiční společnost, a.s. of CZK 31,665 thousand (2012: CZK 27,305 thousand).

15. Fee and commission expense

(CZK'000)	31 December 2013	31 December 2012
Domestic and foreign transfers	(46)	(53)
Brokerage fee	(7,231)	(54)
Total fee and commission expense	(7,277)	(107)

Remunerations were modified in a special arrangement based on the Contract for the procurement and settlement transactions with investment instruments. Adjustments were made in relation to the change in pension insurance legislation and in agreement with the pension company.

Generali PPF Asset Management a.s.

Notes to the financial statements

For the year ended 31 December 2013

16. Net loss from financial transactions

(CZK'000)	31 December 2013	31 December 2012
Foreign exchange differences from trading with currency instruments	(15)	(17)
Other foreign exchange differences	114	(125)
Total net loss from financial transactions	99	(142)

17. Other operating income

(CZK'000)	31 December 2013	31 December 2012
Gains on sale of long-term fixed assets	81	55
Revenue from Kondor services and other analytical services	1,374	1,293
Other operating income	212	7
Total other operating income	1,667	1,355
Of which from related parties	1,374	1,293

18. Other operating expense

(CZK'000)	31 December 2013	31 December 2012
Contribution to Guarantee Fund	(5,703)	(7,243)
Contractual penalties	-	(99)
Unclaimed VAT	(5,597)	(5,833)
Property insurance and statutory liabilities	(209)	(222)
AKAT fee	(109)	(113)
Residual value of sold or disposed assets	(41)	(24)
Other operating expense	(116)	(124)
Total other operating expense	(11,775)	(13,658)

The entity has decided, according to Accounting standards for financial institutions, that the VAT costs, which cannot be deducted because of a low or zero coefficient and therefore reduced the tax deduction claim, will not be booked together with purchased operations, and so the entity will use the possibility to register them on a separate account under accounting group 66. In the case of assets acquisition, the VAT is part of the acquisition price.

Generali PPF Asset Management a.s.

Notes to the financial statements

For the year ended 31 December 2013

19. Administrative expense

(CZK'000)	31 December 2013	31 December 2012
Staff costs	(97,964)	(93,333)
Rent and lease charges	(10,785)	(11,767)
Legal advisory services	(96)	-
Services provided by the auditing company	(883)	(981)
- statutory audit of financial statements	(750)	(861)
- other assurance services	(50)	(50)
- other auditor's services	(83)	(70)
Outsourced internal audit	(608)	(828)
Other administration expenses	(26,320)	(27,703)
Total administrative expense	(136,656)	(134,612)

Both members of the Board of Directors are executive members of the Company's seven-member senior management. There was a change of the member of the Board of Directors during year 2013. Mr. Marcel Dostal was replaced by Mr. Axel Dieter Sima, during year 2012 Mr. Marcel Dostal replaced Ms. Kateřina Jirásková.

Staff costs can be analysed as follows:

(CZK'000)	31 December 2013	31 December 2012
Wages and emoluments of Board of Directors	(20,636)	(11,675)
Wages and emolument of another member of senior management	(12,498)	(18,575)
Emoluments of Supervisory Board	(20)	(36)
Other wages, personal costs and emoluments of employees	(47,578)	(49,901)
Social costs and health insurance	(17,232)	(13,146)
Total staff costs	(97,964)	(93,333)

Staff statistics

	2013	2012
Average number of employees	50	52
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

Generali PPF Asset Management a.s.

Notes to the financial statements

For the year ended 31 December 2013

20. Taxation

The income tax expense consists of the following:

(CZK'000)	2013	2012
Current tax expense	(29,289)	(39,380)
Deferred tax	2,946	(2,448)
Adjustment of prior year tax expense	(51)	(17)
Total income tax expense	(26,394)	(41,845)

Current tax can be analysed as follows:

(CZK'000)	2013	2012
Profit before taxation	131,375	218,700
Difference between accounting and tax depreciation	16	29
Creation and release of allowances	15,123	(12,661)
Non-deductible expenses	7,640	1,193
Net taxable profit	154,154	207,261
Current tax charge at 19 %	(29,289)	(39,380)

The deferred tax asset (+) / liability (-) is calculated at 19 % (the rate enacted for 2013) depending on the period of the expected timing of the reversal of the temporary difference and can be analysed as follows:

(CZK'000)	31 December 2013	31 December 2012
Deferred tax liability		
Difference in net book values of fixed assets	(5)	(5)
Deferred tax liability from receivables	-	(64)
Deferred tax asset		
Deferred tax asset in respect of social and health insurance	2,897	16
Net deferred tax asset (Note 6)	2,892	-
Net deferred tax liability (Note 9)	-	(53)

The Company has recorded the deferred tax asset amounting to CZK 2,892 thousand related to the social and health insurance not paid before the end of January 2014.

Generali PPF Asset Management a.s.

Notes to the financial statements

For the year ended 31 December 2013

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 the 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 2013: CZK 423,586 thousand, of which CZK 417,171 thousand was a fixed term deposit including accrued interest; as at 31 December 2012: CZK 466,841 thousand of which CZK 461,186 thousand was a fixed term deposit including accrued interest). Other receivables from non banking entities arise from the commission for management of assumed values or from consulting, and are payable within one month.

Generali PPF Asset Management a.s.

Notes to the financial statements

For the year ended 31 December 2013

Geographical segmentation**31 December 2013****(CZK'000)**

	Domestic	European union	Total
Assets			
Cash and cash deposits	46	-	46
Due from banks	423,586	-	423,586
Due from nonbanking entities	13,148	4,085	17,233
Total assets	436,780	4,085	440,865

31 December 2012**(CZK'000)**

	Domestic	European union	Total
Assets			
Cash and cash deposits	38	-	38
Due from banks	466,841	-	466,841
Due from nonbanking entities	11,634	2,745	14,379
Total assets	478,513	2,745	481,258

Generali PPF Asset Management a.s.

Notes to the financial statements

For the year ended 31 December 2013

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 2013 (CZK'000)	CZK	EUR	USD	Other	Total
Assets					
Cash and cash deposits	8	-	25	13	46
Due from banks	421,284	2,300	2	-	423,586
Due from non-banking entities	13,531	3,639	-	63	17,233
Other assets	15,214	12	-	-	15,226
Total assets	450,037	5,951	27	76	456,091
Liabilities					
Liabilities against non-bank institutions	36	-	-	-	36
Other liabilities	30,218	160	2	-	30,380
Total liabilities	30,254	160	2	-	30,416
Net assets/liabilities	419,783	5,791	25	76	425,675

Generali PPF Asset Management a.s.

Notes to the financial statements

For the year ended 31 December 2013

31 December 2012 (CZK'000)	CZK	EUR	USD	Other	Total
Assets					
Cash and cash deposits	8	-	24	6	38
Due from banks	465,021	1,818	2	-	466,841
Due from non-banking entities	12,011	2,282	-	86	14,379
Other assets	4,025	4	-	-	4,029
Total assets	481,065	4,104	26	92	485,287
Liabilities					
Liabilities against non-bank institutions	8	-	-	-	8
Other liabilities	30,496	82	53	-	30,631
Total liabilities	30,504	82	53	-	30,639
Net assets/liabilities	450,561	4,022	(27)	92	454,648

Generali PPF Asset Management a.s.

Notes to the financial statements

For the year ended 31 December 2013

21.7. Interest rate risk

The Company is exposed to interest rate risk as a result of interest-bearing assets and liabilities having 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 the 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, reprising or maturity dates.

31 December 2013 (CZK'000)	Within 3 months	3 – 12 months	Total
Assets			
Due from banks	423,586	-	423,586
Due from non-banking entities	17,233	-	17,233
Total selected assets	440,819	-	440,819
Liabilities			
Liabilities against non-bank institutions	36	-	36
Total selected liabilities	36	-	36
Selected net assets/liabilities	440,783	-	440,783

31 December 2012 (CZK'000)	Within 3 months	3 – 12 months	Total
Assets			
Due from banks	466,841	-	466,841
Due from non-banking entities	14,379	-	14,379
Total selected assets	481,220	-	481,220
Liabilities			
Liabilities against non-bank institutions	8	-	8
Total selected liabilities	8	-	8
Selected net assets/liabilities	481,212	-	481,212

Generali PPF Asset Management a.s.

Notes to the financial statements

For the year ended 31 December 2013

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 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. Only the assets and liabilities sensitive to interest rates are included in the table below.

31 December 2013 (CZK'000)	Within 3 months	3 - 12 months	Total
Assets			
Cash and cash deposits	46	-	46
Due from banks	423,586	-	423,586
Due from non-banking entities	17,233	-	17,233
Total assets	440,865	-	440,865
Liabilities			
Liabilities against non-bank institutions	36	-	36
Total liabilities	36	-	36
Net assets/liabilities	440,829	-	440,829

Generali PPF Asset Management a.s.

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For the year ended 31 December 2013

31 December 2012 (CZK'000)	Within 3 months	3 – 12 months	Total
Assets			
Cash and cash deposits	38	-	38
Due from banks	466,841	-	466,841
Due from non-banking entities	14,379	-	14,379
Total assets	481,258	0	481,258
Liabilities			
Liabilities against non-bank institutions	8	-	8
Other liabilities	30,240	391	30,631
Total liabilities	30,248	391	30,639
Net assets/liabilities	451,010	(391)	450,619

22. Subsequent events

No events 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 2013.

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

14 April 2014


Axel Dieter Sima
Member of Board of Directors


Petr Dobiáš
Member of Board of Directors

Generali PPF Asset Management a.s.

Notes to the financial statements

For the year ended 31 December 2013

APPENDIX No. 2

REPORT ON RELATIONS BETWEEN RELATED PARTIES

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

for the year ended 31 December 2013

In compliance 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 a Report on Relations between Generali PPF Asset Management a.s. with its registered address at Na Pankráci 1658/121, 140 00 Prague 4 as the controlled person (hereinafter also the "Company") and CZI Holdings N.V. with its registered address at Diemerhof 32, 1112NX Diemen, the Kingdom of the Netherlands as a directly controlling persons and other persons controlled by the same controlling person ("related parties") for the year ended 31 December 2013 (the "fiscal year").

In the course of the fiscal year Generali PPF Asset Management a.s. was controlled by CZI Holdings N.V., that, as a person controlling the Company as at 31 December 2013 was member of the group headed by Assicurazioni Generali S.p.A with its registered address at Piazza Duca degli Abruzzi 2, Terst, the Republic of Italy.

I. Controlled Person (hereinafter also the Related Party)

Generali PPF Asset Management a.s. with its registered address at Na Pankráci 1658/121, 140 00 Prague 4, business registration number: 25629123, incorporated in the Commercial Register maintained with the Municipal Court in Prague, Section B, File No. 5073 on 3 December 1997.

II. Controlling Person (hereinafter also the Related Party)

CZI Holdings N.V. with its registered address at Diemerhof 32, 1112XN Diemen, the Kingdom of the Netherlands was the person directly controlling the Company in prior year and as at the date of this Annual Report. Through the whole fiscal year CZI Holdings N.V. were holding 104,000 ordinary registered shares of the Company at a nominal value of CZK 500 representing 100% of the Company's exercised voting rights.

III. A list of contracts made by and between the Related Parties in prior year and the respective performance

The following contracts were made by and between the Company and the Controlling Person and between the Company and other Related Parties in the fiscal year:

Company name	Business registration number (IC)	Contract name	Counter performance
Česká pojišťovna a.s.	45272956	Amendment No. 15 of 13 March 2013 to Asset Management Agreement	Commission for asset management
		Framework agreement for sharing of non-IT and IT technologies and related operating expenses dated 6 January 2014	IT technologies sharing
		Implementation agreement of 6 January 2014 for sharing of non-IT and IT technologies for the operation of equipment in the data room.	
		Implementation agreement of 6 January 2014 for the operation of applications IPT, Helpdesk, CDA, SAP, Exchange and operation of Videoconference, Blackberry, LAN.	
		Implementation agreement of 6 January 2014 for sharing of IT technologies for the operation of environment for end users.	
		Contract for the sub-lease of non-residential premises dated 18 October 2013	sub-lease of non-residential premises
		Contract for the lease of movable assets	lease of movable assets
		Travel insurance contracts - 31 newly signed contracts in total	premium

Company name	Business registration number (IC)	Contract name	Counter performance
Česká pojišťovna ZDRAVÍ a.s.	49240749	Amendment No. 2 of 13 March 2013 to Asset Management Agreement	Commission for asset management
		Amendment No. 3 of 30 December 2013 to Asset Management Agreement	
ČP INVEST investiční společnosti, a.s.	43873766	Amendment No. 26 of 21 January 2013 to Asset Management Agreement	Commission for asset management
		Amendment No. 27 of 12 June 2013 to Asset Management Agreement	
		Amendment No. 28 of 15 October 2013 to Asset Management Agreement	
GP Reinsurance EAD	200270243	Amendment No. 19 of 30 December 2012 to Asset Management Agreement	Commission for asset management
		Amendment No. 20 of 5 January 2013 to Asset Management Agreement	
		Amendment No. 21 of 28 January 2013 to Asset Management Agreement	
		Amendment No. 22 of 4 February 2013 to Asset Management Agreement	
		Amendment No. 23 of 25 July 2013 to Asset Management Agreement	
		Amendment No. 24 of 7 August 2013 to Asset Management Agreement	
		Amendment No. 25 of 10 October 2013 to Asset Management Agreement	
		Amendment No. 26 of 19 December 2013 to Asset Management Agreement	
Penzijní společnost České pojišťovny a.s.	61858692	Agreement for the management of funds of Penzijní společnost České pojišťovny a.s. dated 20 December 2012	Commission for asset management
		Amendment No. 19 to Agreement for the management of funds of Penzijní společnost České pojišťovny a.s. dated 31 January 2013	

Company name	Business registration number (IC)	Contract name	Counter performance
Generali PPF Holding B.V.	28239652	Amendment No. 2 of 29 March 2013 to Contract for Provision of Services	fees for advisory services

Performance between related parties is listed in the Notes to the financial statements for the year ended 31 December 2013, in particular revenues from commissions for asset management are disclosed in Note 14, receivables in Note 4.2, payables in Note 8, and administered values in Note 12. Insurance is included in Note 19 (other staff costs).

IV. Other legal acts effected to the benefit of related parties

No legal acts were performed to the benefit of the controlling person or the Company or other related parties during the year, or if such legal acts were effected in relation to the related parties, these were general legal procedures made on the basis of conditions for the performance of legal acts by the controlling person in relation to the Company from its position as the Company shareholder.

V. Other measures adopted to the benefit or at the initiative of related parties

No measures were adopted to the benefit or at the initiative of the controlling person or other related parties during the year, except for general measures adopted by the Company in relation to the controlling person by virtue of its position as the Company shareholder.

VI. Performance provided and detriment caused to the controlled person and the way of their settlement

All the aforementioned agreements were made on normal business terms so as all performance received and provided on the basis of these agreements and agreements entered into in prior years were made on an arms-length basis and the Company suffered no detriment therefrom.

VII. Final representation

This report was prepared by the Board of Directors of the controlled person Generali PPF Asset Management a.s. on 23 April 2014 and was submitted to the Supervisory Board and the auditors performing an audit of the financial statements. In view of its statutory duties the controlled persons issues an Annual Report the integral part of which will be the Report on Relations between Related Parties.

In Prague on 31 March 2014

On behalf of the controlling person's Board of Directors

Axel Sima
Member of the Board of Directors
Generali PPF Asset Management a.s.

