

Annual Report  
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ŽB-Asset Management, a.s.

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## Introduction by the Chairman of the Board of Directors

The year 2004 was a time of restructuring and consolidation for Pioneer Investments in the Czech Republic. These processes also involved fundamental changes affecting the products, organisation, marketing and personnel at ŽB - Asset Management, a. s., which is part of the group.

The company expanded considerably its range of products and related services. In the Czech Republic it cooperates on offering several sub-funds of Pioneer Funds. The unit of these sub-funds are made available by means of a network of independent financial advisors and Živnostenská banka sales outlets. Specialists in the company help the financial advisors and personal bankers resolve especially demanding client requests. This cooperation is systemic and constant.

The company has developed software which automates the allocation decision-making process. It provides this SW to financial advisors and personal bankers and trains them in how to use it.

In 2005 all the key marketing instruments will be configured in such a way that they support the trend for commercial expansion.

The company took energetic steps to restructure assets relating to the portfolios of private clients. First the model portfolio was optimised in order to improve performance, a process which brought positive results. A new product was created based on the principle of the protection of capital and the creation of a fixed allowance. This product could be described as a highly variable financial service which is based on know-how allowing for the complete individualisation of the management of each client portfolio, and creates a risk profile in precise accordance with the preference of each client. An investment diagnosis method (profiling) was created along with software aids, in order to stipulate optimum allocation and management of risks. New systems of procedural and legal solutions were created for this service. New marketing materials were created publicising the new service of the protection of capital and the creation of a fixed allowance. The development phase was completed in the second half of 2004 and the product was tested in the last few months of the year.

The company's new team has successfully linked up with the private banking division at Živnostenská banky, and this cooperation has been enriched by new procedures developed inside the company (profiling, the automatic planning of allocation and risk).

The sheer volume of innovations (from a product, legal, personnel and marketing point of view) which has been realised in the company is huge. I am convinced that all the changes are in accordance with the modern dynamic of services on the asset management market.



Roman Pospíšil

## Company Bodies

ŽB – Asset Management, a. s. changed its registered office in 2004. The new registered office is at Prague 8, Karolinská 650/1, postal code: 186 00.

### Board of Directors

There were no changes to the Board of Directors last year.

#### **Roman Pospíšil**

Mr. Pospíšil holds a degree from the Pedagogical Faculty in České Budějovice in mathematics and physics, from the Graduate School of Banking Colorado, and has completed courses with Barclays Bank. He remains the CEO of Pioneer česká investiční společnost, a.s. and company director of ŽB - Asset Management, a. s. He is a member of the Board of the Union of Investment Companies in the Czech Republic.

#### **Leoš Bartoň**

Mr. Bartoň is a graduate of the Czech Technological Institute in Prague, the Engineering Faculty, the department of economics and management. From 1994 to 1995 he worked as a bond market dealer for Česká spořitelna, from 1996 to 2001 he was a senior dealer and proprietary trader at Komerční banka, and from 2001 to November 2003 he worked for PPF. Currently he is a portfolio manager at the company.

#### **František Vencl**

Mr. Vencl is a graduate of the Mathematics and Physics Faculty of Charles University, the department of mathematical analysis. After spending four years as an academic he worked for eight years for the Komerční banka financial group in various capacities. He has been working for Pioneer Investments since 2001.

### Supervisory Board

The Supervisory Board comprised Dr. Vít Horáček (chairman), Mgr. Andrea Cejnarová and Doc. Ing. Jaroslava Durčáková, CSc. On 4 March 2004 the chairman and two members resigned. In accordance with the Articles of Association, the Supervisory Board discussed the resignation and their office was terminated on 4 March 2004. On 5 March 2004 the sole shareholder appointed the following new members of the Supervisory Board: Daniel Keith Kingsbury (chairman), Pdraig Kenny and Luigi Trombetta.

#### **Daniel Keith Kingsbury**

Mr. Daniel K. Kingsbury graduated from John Hopkins University (1980) and New York University (1988), majoring in the development of activities relating to the management of funds, especially on foreign markets (Spain, Ireland, Taiwan, the Philippines, Chile, Russia). In the Pioneer Investments Group Daniel K. Kingsbury holds the post of President of the New Markets Division and is in charge of all the activities of the Pioneer Investments Group in Central Europe.

#### **Pdraig Kenny**

Mr. Kenny holds the post of operations manager in Pioneer Global Asset Management S.p.A. He joined the Pioneer Investments Group in 1998 after working for the investment companies Bankers Trust Company and Bank of Ireland Asset Management. Mr. Kenny graduated from University College Dublin with a Bachelor's degree.

#### **Luigi Trombetta**

Mr. Luigi Trombetta graduated from the La Sapienza University in Rome, majoring in legal studies. He immediately joined the Banco di Santo Spirito S.p.A. in Rome (currently the Banca di Roma S.p.A. operating within the Capitalia group). Since 2001 he has been working for Pioneer Global Asset Management, S.p.A, where he is the head of legal and corporate management section. He is a member of the Supervisory Board of Pioneer Alternative Investments Management SGR p.A., Milan, an Italian company engaged in alternative investments.

### Company auditor

KPMG Česká republika Audit, s. r. o.  
Registered office at Prague 8, Poblěžní 1a,  
postal code: 186 00

Recorded in the Commercial Register held at the Municipal Court in Prague, section C, file entry 24185  
Represented by Ing. Pavel Závitkovský, proctor with independent procuration, certificate number 69  
Company no.: 49 61 91 87  
Tax ID no.: CZ49619187

## Financial Section

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## BALANCE SHEET AS AT 31 DECEMBER 2004

| Assets:                              | 31 December 2004<br>CZK'000 | 31 December 2003<br>CZK'000 |
|--------------------------------------|-----------------------------|-----------------------------|
| Cash                                 | 52                          | 37                          |
| Due from banks                       | 53,614                      | 127,620                     |
| Intangible fixed assets <sup>k</sup> | 6,643                       | 2,977                       |
| Long-term tangible fixed assets      | 9,626                       | 2,421                       |
| Other assets <sup>a</sup>            | 25,431                      | 6,613                       |
| Prepayments and accrued income       | 1,877                       | 2,842                       |
| <b>Total assets</b>                  | <b>97,243</b>               | <b>142,510</b>              |

| Liabilities:   | 31 December 2004<br>CZK'000 | 31 December 2003<br>CZK'000 |
|--|-----------------------------|-----------------------------|
| Due to customers   | 30,812                      | 115,985                     |
| of which: repayable on demand                                | 30,812                      | 115,985                     |
| Other liabilities  | 22,829                      | 5,702                       |
| Accruals and deferred income                                 | 0                           | 1,303                       |
| Share capital  | 27,000                      | 27,000                      |
| of which: share capital paid up                              | 27,000                      | 27,000                      |
| Reserve funds and revenue reserves                           | 482                         | 482                         |
| Retained earnings (accumulated losses) from previous periods | - 7,962                     | - 2,932                     |
| Profit/Loss for the accounting period                        | 24,082                      | - 5,030                     |
| <b>Total liabilities</b>                                     | <b>97,243</b>               | <b>142,510</b>              |

## OFF-BALANCE SHEET AS AT 31 DECEMBER 2004

| Off-balance sheet liabilities              | 31 December 2004<br>CZK'000 | 31 December 2003<br>CZK'000 |
|--|-----------------------------|-----------------------------|
| Assets under management                    | 1,208,225                   | 946,795                     |
| <b>Total off-balance sheet liabilities</b> | <b>1,208,225</b>            | <b>946,795</b>              |

## INCOME STATEMENT FOR THE YEAR ENDING 31 DECEMBER 2004

|  | 2004<br>CZK'000 | 2003<br>CZK'000 |
|--|-----------------|-----------------|
| <b>Interest income and similar income</b>  | <b>29</b>       | <b>49</b>       |
| <b>Fee and commission income</b>   | <b>115,559</b>  | <b>23,791</b>   |
| <b>Fee and commission expense</b>  | <b>-3,675</b>   | <b>- 1,326</b>  |
| <b>Net gain or loss from financial transactions</b>  | <b>-571</b>     | <b>65</b>       |
| <b>Other operating income</b>  | <b>1,209</b>    | <b>2,516</b>    |
| <b>Other operating expenses</b>  | <b>- 2,052</b>  | <b>- 1,064</b>  |
| <b>Administrative expense</b>  | <b>- 79,778</b> | <b>- 26,052</b> |
| of which: a) staff costs   | - 45,028        | - 17,165        |
| of which: aa) wages and salaries   | - 33,563        | - 12,828        |
| ab) social and health insurance  | - 11,465        | - 4,337         |
| b) other administrative expenses   | -34,750         | - 8,887         |
| <b>Depreciation, creation and use of provisions for fixed tangible and intangible assets</b> | <b>- 5,438</b>  | <b>- 3,009</b>  |
| <b>Results from ordinary activities before taxation</b>                                      | <b>25,283</b>   | <b>- 5,030</b>  |
| <b>Tax on profit or loss from ordinary activities</b>  | <b>- 1,201</b>  | <b>0</b>        |
| <b>Profit (loss) for the year after taxation</b>   | <b>24,082</b>   | <b>- 5,030</b>  |



## STATEMENT OF CHANGES IN EQUITY

|                                       | Share<br>capital<br>CZK'000 | Reserve<br>funds<br>CZK'000 | Social<br>fund<br>CZK'000 | Retained earnings<br>(accumulated<br>losses)<br>CZK'000 | Profit / loss<br>CZK'000 | Total<br>CZK'000 |
|---------------------------------------|-----------------------------|-----------------------------|---------------------------|---|--------------------------|------------------|
| <b>Balance as at 31 December 2002</b> | <b>27,000</b>               | <b>482</b>                  | <b>67</b>                 | <b>4,498</b>  | <b>- 7,430</b>           | <b>24,617</b>    |
| Loss for the accounting period        | 0                           | 0                           | 0                         | 0   | - 5,030                  | - 5,030          |
| Transfer of accumulated losses        | 0                           | 0                           | 0                         | - 2,932   | 2,932                    | 0                |
| Utilisation of funds                  | 0                           | 0                           | - 67                      | 0   | 0                        | - 67             |
| Transfer to retained earnings         | 0                           | 0                           | 0                         | - 4,498   | 4,498                    | 0                |
| <b>Balance as at 31 December 2003</b> | <b>27,000</b>               | <b>482</b>                  | <b>0</b>                  | <b>- 2,932</b>  | <b>- 5,030</b>           | <b>19,520</b>    |
| Profit for the accounting period      | 0                           | 0                           | 0                         | 0   | 24,082                   | 24,082           |
| Transfer of accumulated losses        | 0                           | 0                           | 0                         | - 5,030   | 5,030                    | 0                |
| <b>Balance as at 31 December 2004</b> | <b>27,000</b>               | <b>482</b>                  | <b>0</b>                  | <b>-7,962</b>   | <b>24,082</b>            | <b>43,602</b>    |

## 1 GENERAL INFORMATION

ŽB - Asset Management, a.s. („the Company“) was established by Živnostenská Finance BV on 3 July 1998. The Company was incorporated on 31 July 1998. In 1998, Živnostenská banka, a.s. purchased the shares of the Company and became the sole shareholder.

Since 30 December 2003, the holding company of the Company has been Pioneer Global Asset Management, S.p.A. („PGAM“), which purchased 100 % of the shares from Živnostenská banka, a.s. The ultimate holding company of the Company as at 31 December 2004 is UniCredito Italiano S.p.A.

The Company's business is trading in securities in the following extent:

**a) Provision of primary investment services, specifically:**

- receiving and conveying of instructions concerning investment instruments on the customer's account;
- carrying out instructions concerning investment instruments on a third party's account;
- trading with investment instruments on the Company's own account;
- unconstrained management of individual portfolios within the framework of a contractual agreement with the customer, if any of the investment instruments are part of this portfolio.

**b) Provision of secondary investment services, specifically:**

- the custody and administration of one or several investment instruments;
- consulting activity with respect to capital structure, industrial strategy and related issues, such as the provision of consulting services and services relating to mergers and acquisitions of companies;
- consulting activities concerning investment into investment instruments.

By the decision of the Securities Commission No. 43/M/140/2003/1 of 31 October 2003, which came into legal force on 6 November 2003, the Company was granted authorisation to provide investment services.

### Statutory body as at 31 December 2004 – board of directors:

|  |                        |                                       |
|--|------------------------|---------------------------------------|
| <b>Chairman of the board of directors:</b> | Mgr. Roman Pospíšil    | position held since: 29 December 2003 |
| <b>Member of the Board of Directors:</b>   | Ing. Leoš Bartoň       | position held since: 29 December 2003 |
| <b>Member of the Board of Directors:</b>   | RNDr. František Vencel | position held since: 16. Sept 2002    |

### Supervisory board as at 31 December 2004

|   |                        |                                   |
|---|------------------------|-----------------------------------|
| <b>Chairman of the supervisory board:</b> | Daniel Keith Kingsbury | position held since: 5 March 2004 |
| <b>Member of the supervisory board:</b>   | Padraig Kenny          | position held since: 5 March 2004 |
| <b>Member of the supervisory board:</b>   | Luigi Trombetta        | position held since: 5 March 2004 |

## 2 ACCOUNTING POLICIES

**(a) Basis of preparation**

The financial statements, comprising the balance sheet, statements of income and changes in equity and accompanying notes, are prepared in accordance with the Act on accounting, regulation No. 501/2002 issued by the Ministry of Finance of the Czech Republic („MF CR“) and the Chart of accounts and Czech accounting standards for banks and other financial institutions. The financial statements are prepared under the historical cost convention as modified by the revaluation of financial instruments held for trading and available-for-sale to their fair values.

The financial statement figures are rounded to thousands of Czech Crowns (CZK 000), unless otherwise stated.

These financial statements are unconsolidated.

**(b) Date of accounting transaction**

Depending on the transaction type, the moment of the accounting transaction is considered to be the day of payment or transfer of currency, the day of purchase or sale of foreign currency or securities, the day of payment or collection from the client's account, the day of the letter of advice from the bank, account statement or other document, the stipulated day and settlement day of the trading of securities, foreign currencies and date of deposit..

**(c) Foreign currencies**

Financial assets and liabilities denominated in foreign currencies are translated into Czech Crowns at the exchange rate announced by the Czech National Bank („CNB“) effective at the balance sheet date. All resulting foreign exchange gains and losses are recognised in net gains or losses from financial transactions.

**(d) Interest income, expense**

Interest income and expenses are recognised for all interest bearing instruments on an accrual-deferral basis using the effective interest rate method and based on the acquisition cost. The linear depreciation method is used as an approximation of the effective interest rate for securities measured at fair value.

**(e) Fee and commission income**

Fixed fee income for the arrangement of loans, guarantees and other activities is recognised immediately, whereas commission is accrued over the period to maturity.

**(f) Receivables and provisions**

Receivables are stated at nominal value less a provision for doubtful amounts. Irrecoverable receivables are written off upon completion of bankruptcy proceedings against the debtor.

**(g) Long-term tangible and intangible fixed assets**

Long-term tangible and intangible fixed assets are recorded at cost and are depreciated evenly over their expected useful lifetime. Depreciation periods are determined as follows:

|                             | <b>Years</b>   |
|-----------------------------|----------------|
| Buildings and constructions | 30             |
| Hardware and equipment      | no more than 4 |
| Furniture and fittings      | 6              |
| Motor vehicles              | 4              |
| Software                    | 2 - 4          |

Repair and maintenance costs are charged to expenses as incurred. Costs incurred to increase the value of the various assets are capitalised and depreciated.

With effect from 1 January, 2004 tangible fixed assets with a unit cost of less than CZK 40,000 and intangible fixed assets with a unit cost of less than CZK 60,000 are not recorded in the balance sheet and are charged to expenses in the year of their acquisition.

**(h) Value-added tax**

The Company is registered for value-added tax („VAT“).

**(i) Deferred taxation**

Deferred tax is calculated based on the tax rate valid in the period in which the deferred tax is expected to be realized. The deferred tax liability 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 profits will be available against which this asset can be utilised.

**(j) Staff costs, pensions and other social expenses**

Staff costs are included in Administrative expenses and include board and management emoluments. The Company makes contributions to a defined pension plan on behalf of its employees. Contributions paid by the Company are accounted for directly as an expense.

**(k) Related parties**

Related parties are defined as follows:

- Members of the board, supervisory board and senior management of the Company and their relatives;
- Companies, in which members of the board or management of the Company hold a stake of more than 10%;
- Shareholders controlling the Company and other entities controlled by them.

Material transactions, outstanding balances and pricing policies with related parties are disclosed in Note 18.

### (l) Assets under management

Since 1 January 2003, financial resources received from clients are held in individual clients' bank accounts and are included in assets and as a corresponding liability to clients.

Securities received from clients for the purposes of administration and management are recorded in the off-balance sheet. In 2004, there was a change in the presentation of assets received for management. The comparable period was changed in accordance with the change in presentation.

### (m) Subsequent events

The impact of events that occurred between the balance sheet date and the date of the financial statements is reflected in the financial statements if these events are related to situations that existed at the balance sheet date.

Where significant events occur subsequent to the balance sheet date but prior to the date of the financial statements, which are not related to situations that existed at the balance sheet date, the impact of these events is disclosed in the notes to the financial statements but is not reflected in the actual financial statements.

### (n) Extraordinary items and changes in accounting policy

Extraordinary items include one-off effects of events outside the scope of the Company's activities and effects of changes in accounting policies.

## 3 DUE FROM BANKS

|                             | 31 December 2004<br>CZK'000 | 31 December 2003<br>CZK'000 |
|-----------------------------|-----------------------------|-----------------------------|
| Current accounts with banks | 22,802                      | 11,635                      |
| Current accounts of clients | 30,812                      | 115,985                     |
|                             | <b>53,614</b>               | <b>127,620</b>              |

All receivables are current and are not secured.

## 4 LONG-TERM TANGIBLE AND INTANGIBLE FIXED ASSETS

|                                 | 31 December 2003<br>CZK'000 | Additions<br>CZK'000 | Decreases<br>CZK'000 | 31 December 2004<br>CZK'000 |
|---------------------------------|-----------------------------|----------------------|----------------------|-----------------------------|
| <b>Cost</b>                     |                             |                      |                      |                             |
| Software                        | 5,720                       | 6,883                | 0                    | 12,603                      |
| Hardware and equipment          | 13,302                      | 10,004               | 6,415                | 16,891                      |
|                                 | <b>19,022</b>               | <b>16,887</b>        | <b>6,415</b>         | <b>29,494</b>               |
| <b>Accumulated amortisation</b> |                             |                      |                      |                             |
| Software                        | 2,743                       | 3,217                | 0                    | 5,960                       |
| Hardware and equipment          | 10,881                      | 2,221                | 5,837                | 7,265                       |
|                                 | <b>13,624</b>               | <b>5,438</b>         | <b>5,837</b>         | <b>13,225</b>               |
| <b>Net book amount</b>          | <b>5,398</b>                |                      |                      | <b>16,269</b>               |

The Company does not use any assets acquired under finance lease contracts.

## 5 OTHER ASSETS

|                                  | <b>31 December 2004</b> | <b>31 December 2003</b> |
|----------------------------------|-------------------------|-------------------------|
|                                  | <b>CZK'000</b>          | <b>CZK'000</b>          |
| Operating advances granted       | 3,792                   | 2,091                   |
| Due to and from the state budget | 2,255                   | 6                       |
| Trade receivables                | 19,384                  | 4,514                   |
| Other receivables                | 0                       | 2                       |
|                                  | <b>25,431</b>           | <b>6,613</b>            |

All receivables are current and are not secured.

The increase in receivables from trade is due to a change in the extent of the Company's activities in 2004 (see point 18).

## 6 PREPAYMENTS AND ACCRUED INCOME

|                                    | <b>31 December 2004</b> | <b>31 December 2003</b> |
|------------------------------------|-------------------------|-------------------------|
|                                    | <b>CZK'000</b>          | <b>CZK'000</b>          |
| Accrued income - advisory          | 1,877                   | 1,061                   |
| Prepayments – rent paid in advance | 0                       | 1,781                   |
|                                    | <b>1,877</b>            | <b>2,842</b>            |

The reduction in repayments in 2004 is due to a change in the rent payment method for new lessees.

## 7 OTHER LIABILITIES

|  | <b>31 December 2004</b> | <b>31 December 2003</b> |
|--|-------------------------|-------------------------|
|  | <b>CZK'000</b>          | <b>CZK'000</b>          |
| Trade payables                           | 3,760                   | 706                     |
| Current income tax liability             | 1,903                   | 560                     |
| Payables employees                       | 2,106                   | 935                     |
| Payables to social security institutions | 1,400                   | 712                     |
| Advances received                        | 1,280                   | 1,509                   |
| Estimated payables                       | 12,380                  | 1,280                   |
|  | <b>22,829</b>           | <b>5,702</b>            |

The increase in estimated liabilities is due to a change in the extent of the Company's activities in 2004 (see point 18).

## 8 ACCRUALS AND DEFERRED INCOME

|  | 31 December 2004<br>CZK'000 | 31 December 2003<br>CZK'000 |
|--|-----------------------------|-----------------------------|
| Advance received for rent from ŽB-Trust, investiční společnost, a.s. | 0                           | 1,302                       |
| Accrued expenses   | 0                           | 1                           |
|  | <b>0</b>                    | <b>1,303</b>                |

The reduction in deferred income in 2004 is due to a change in the rent payment method for new lessees.

## 9 EQUITY AND PROFIT ALLOCATION

### Share capital

|                              | 31 December 2004<br>CZK'000 | 31 December 2003<br>CZK'000 |
|------------------------------|-----------------------------|-----------------------------|
| <b>Issued and fully paid</b> | <b>27,000</b>               | <b>27,000</b>               |

The share capital consists of 54 shares each with a nominal value of CZK 500,000.

The Company is required to allocate 5% of its annual profit to a non-distributable statutory reserve fund until the balance reaches 20% of the issued share capital. The statutory reserve fund can only be used to offset losses.

### Profit allocation

The Company's board of directors has proposed the following allocation of the net profit for 2004 to the statutory reserve fund in the amount of CZK 24,082,000:

|  |                       |
|--|-----------------------|
| Transfer of accumulated loss from past years | CZK 7,962,000         |
| Allotment to the reserve fund                | CZK 1,205,000         |
| Allotment to retained earnings of past years | CZK 14,915,000        |
|  | <b>CZK 24,082,000</b> |

The transfer of the loss for 2003 is shown in the Statement of changes in equity.

## 10 INTEREST RECEIVABLE AND SIMILAR INCOME

|                                | 2004<br>CZK'000 | 2003<br>CZK'000 |
|--------------------------------|-----------------|-----------------|
| Interest on current account    | 12              | 5               |
| Interest on long term accounts | 17              | 44              |
|                                | <b>29</b>       | <b>49</b>       |

## 11 FEE AND COMMISSION INCOME

|                             | <b>2004</b>    | <b>2003</b>    |
|-----------------------------|----------------|----------------|
|                             | <b>CZK'000</b> | <b>CZK'000</b> |
| Advisory                    | 19,364         | 13,304         |
| Portfolio management        | 8,971          | 7,448          |
| Distribution fee            | 1,487          | 2,943          |
| Deposit commission          | 9              | 16             |
| Dealers' commission         | 0              | 1              |
| Transaction processing fees | 13,206         | 0              |
| Financial services          | 72,516         | 0              |
| Other                       | 6              | 79             |
|                             | <b>115,559</b> | <b>23,791</b>  |

The increase in fee and commission income is due to a change in the extent of the Company's activities in 2004 (see point 18).

## 12 FEE AND COMMISSION EXPENSES

|                     | <b>2004</b>    | <b>2003</b>    |
|---------------------|----------------|----------------|
|                     | <b>CZK'000</b> | <b>CZK'000</b> |
| Bank fees           | 160            | 59             |
| Management expenses | 1,510          | 1,239          |
| Dealers' commission | 2,005          | 0              |
| Other               | 0              | 28             |
|                     | <b>3,675</b>   | <b>1,326</b>   |

The increase in fee and commission expenses is due to a change in the extent of the Company's activities in 2004 (see point 18).

## 13 NET GAIN OR LOSS FROM FINANCIAL TRANSACTIONS

|   | <b>2004</b>    | <b>2003</b>    |
|---|----------------|----------------|
|   | <b>CZK'000</b> | <b>CZK'000</b> |
| Realised net gain or loss from the sale of securities | 0              | 102            |
| Exchange rate losses                                  | - 775          | - 37           |
| Exchange rate gains                                   | 204            | 0              |
|   | <b>- 571</b>   | <b>65</b>      |

## 14 OTHER OPERATING INCOME

|  | <b>2004</b>    | <b>2003</b>    |
|--|----------------|----------------|
|  | <b>CZK'000</b> | <b>CZK'000</b> |
| Proceeds from the sale of tangible and intangible fixed assets | 512            | 638            |
| Rental income  | 655            | 1,209          |
| Other operating income   | 42             | 669            |
|  | <b>1,209</b>   | <b>2,516</b>   |

## 15 OTHER OPERATING EXPENSES

|  | <b>2004</b>    | <b>2003</b>    |
|--|----------------|----------------|
|  | <b>CZK'000</b> | <b>CZK'000</b> |
| Net book value of tangible assets sold | 578            | 545            |
| Other                                  | 1,474          | 519            |
|  | <b>2,052</b>   | <b>1,064</b>   |

## 16 ADMINISTRATIVE EXPENSES

|                               | <b>2004</b>    | <b>2003</b>    |
|-------------------------------|----------------|----------------|
|                               | <b>CZK'000</b> | <b>CZK'000</b> |
| Staff costs                   | 45,028         | 17,165         |
| Other administrative expenses | 34,750         | 8,887          |
|                               | <b>79,778</b>  | <b>26,052</b>  |

The average number of employees, members of management and the supervisory board and their wages and salaries can be analysed as follows:

|   | <b>2004</b>    | <b>2003</b>    |
|---|----------------|----------------|
| Average number of members of the management | 5              | 3              |
| Average number of other employees           | 35             | 12             |
| Number of Supervisory board members         | 3              | 3              |
| <b>Staff costs</b>                          | <b>2004</b>    | <b>2003</b>    |
|   | <b>CZK'000</b> | <b>CZK'000</b> |
| Management                                  | 6,841          | 5,435          |
| Other employees                             | 26,677         | 7,213          |
| Supervisory board remuneration              | 45             | 180            |
| <b>Total wages and salaries</b>             | <b>33,563</b>  | <b>12,828</b>  |
| Social and health insurance                 | 11,465         | 4,337          |
| <b>Total staff costs</b>                    | <b>45,028</b>  | <b>17,165</b>  |

The Company management includes three members of the board of director.



Other administrative expenses can be analysed as follows:

| <b>Mzdové náklady</b>                  | <b>2004</b>    | <b>2003</b>    |
|--|----------------|----------------|
|  | <b>CZK'000</b> | <b>CZK'000</b> |
| Travel expenses                        | 1,447          | 315            |
| Consumption of materials and energy    | 1,903          | 235            |
| Representation costs                   | 4,305          | 133            |
| Marketing and public relation expenses | 12,913         | 418            |
| Rent and related expenses              | 3,710          | 2,490          |
| Royalty fee for registered trademark   | 0              | 952            |
| Telephony                              | 810            | 368            |
| Audit, tax and legal advisory          | 1,468          | 428            |
| IT services                            | 3,867          | 2,369          |
| Other services                         | 4,327          | 1,179          |
|  | <b>34,750</b>  | <b>8,887</b>   |

The increase in administrative expenses is due to a change in the extent of the Company's activities in 2004 (see point 18).

## 17 TAXATION

### Income tax due

|  | <b>2004</b>    | <b>2003</b>    |
|--|----------------|----------------|
|  | <b>CZK'000</b> | <b>CZK'000</b> |
| Profit / loss before taxation              | 25,283         | - 5,030        |
| Differences between profit and tax base:   |                |                |
| Non-taxable income                         | 0              | - 3            |
| Items increasing the tax base              | 6,874          | 960            |
| Tax base                                   | 32,157         | - 4,073        |
| Tax shield                                 | -27,867        | 0              |
| Tax base                                   | 4,290          | 0              |
| <b>Corporate income tax charge at 28 %</b> | <b>1,201</b>   | <b>0</b>       |

### Deferred taxation

Potential deferred tax assets of CZK 401,000 (2003: CZK 7,735,000) were not recognised as it is unclear whether the company will create sufficient taxable profits in the future against which this tax asset can be utilised.

|   | <b>31 December 2004</b> | <b>31 December 2003</b> |
|---|-------------------------|-------------------------|
|   | <b>CZK'000</b>          | <b>CZK'000</b>          |
| <b>Deferred income tax liabilities</b>            |                         |                         |
| Charge for the year                               | 175                     | 168                     |
|   | <b>175</b>              | <b>168</b>              |
| <b>Deferred income tax liabilities assets</b>     |                         |                         |
| Social Security and Health Insurance from bonuses | 537                     | 91                      |
| Tax loss carry forwards                           | 0                       | 7,812                   |
|   | <b>537</b>              | <b>7,903</b>            |
| <b>Contingent net deferred tax asset</b>          | <b>361</b>              | <b>7,735</b>            |

## 18 RELATED PARTY TRANSACTIONS

### Relations with related parties in the PGAM group:

|                                       | <b>31 December 2004</b> |
|---------------------------------------|-------------------------|
|                                       | <b>CZK'000</b>          |
| <b>Receivables</b>                    |                         |
| Trade receivables                     | 10,983                  |
|                                       | <b>10,983</b>           |
| <b>Liabilities</b>                    |                         |
| Trade payables                        | 2,331                   |
| Estimated payables                    | 226                     |
|                                       | 2,556                   |
| <b>Expenses</b>                       |                         |
| Other                                 | 250                     |
|                                       | <b>250</b>              |
| <b>Revenues</b>                       |                         |
| Investment consultancy                | 19,364                  |
| Commission on intermediary activities | 72,517                  |
| Other services                        | 2,175                   |
|                                       | <b>94,056</b>           |

The Company purchased 2 passenger vehicles from Pioneer česká investiční společnost, a.s. for a total cost of CZK 503,000. The Company also purchased 2 passenger vehicles from Pioneer česká finanční společnost, s.r.o for a total cost of CZK 805,000. The company sold 1 passenger vehicle to Pioneer česká investiční společnost, a.s. for CZK 321,000; the net book value of the sold vehicle was CZK 430,000.

In 2004, the Company re-invoiced costs connected with the sub-leasing of the office at Karolinská street to Pioneer česká investiční společnost, a.s. in the amount of CZK 1,580,000, and for the lease of a garage in the amount of CZK 20,000. These amounts were included in the Company's balance sheet.

In 2004, the Company re-invoiced costs connected with the sub-leasing of the office at Karolinská street to Pioneer česká finanční společnost, s.r.o in the amount of CZK 1,580,000, and for the lease of a garage in the amount of CZK 92,000. These amounts were included in the Company's balance sheet.

All PGAM-group related party transactions were carried out at market prices prevailing at the transaction date or on a cost plus reasonable profit basis for non-traded supplies.

### Relations with related parties in the UniCredito group:

The Company leased IT technology from Živnostenská banka, a.s. for part of the year.

The Company paid Živnostenská banka, a.s. brokerage fees in accordance with the terms and conditions stipulated in the agreement concluded on 31 March 2003.

Živnostenská banka, a.s. provided the Company with depository and custodial services (custody, deposit and administration of securities, settlement of securities and related services) in accordance with the Agreement on the Performance of Depository.

Živnostenská banka maintained for the Company current and term accounts in CZK and EUR, from which accounts the Company received interest, in return for which Živnostenská banka a.s. was paid a fee in accordance with the Agreement on Current Account Maintenance.

All UniCredito-group related party transactions were carried out at market prices prevailing at the transaction date or on a cost plus reasonable profit basis for non-traded supplies.

## 19 ASSETS UNDER MANAGEMENT

Assets under management consist of securities purchases on the client's account in the amount of CZK 1,208,255,000 (2003: CZK 946,795,000).

## 20 FINANCIAL RISKS

### (a) Credit risk

As at December 31, 2004 and 2003 the Company only owned domestic assets. Available funds are deposited in accounts with renowned banks.

### (b) Currency risk

All financial assets and liabilities owned by the Company as at 31 December 2004 and 2003 were denominated in CZK.

### (c) Interest rate risk

The Company is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest revenues and costs could increase or decrease as a result of such changes with the resultant impact on the Company's financial position.

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

### 31 December 2004

| <b>Assets</b>      | <b>up to<br/>3 months<br/>CZK'000</b> | <b>3 – 12 months<br/>CZK'000</b> | <b>no interest<br/>bearing<br/>CZK'000</b> | <b>Total<br/>CZK'000</b> |
|--------------------|---------------------------------------|----------------------------------|--|--------------------------|
| Cash               | 0                                     | 0                                | 52   | 52                       |
| Due from banks     | 22,802                                | 0                                | 30,812                                     | 53,614                   |
| Other assets       | 26,104                                | 1,204                            | 16,269                                     | 43,577                   |
|                    | <b>48,906</b>                         | <b>1,204</b>                     | <b>47,133</b>                              | <b>97,243</b>            |
| <b>Liabilities</b> | <b>up to<br/>3 months<br/>CZK'000</b> | <b>3 – 12 months<br/>CZK'000</b> | <b>no interest<br/>bearing<br/>CZK'000</b> | <b>Total<br/>CZK'000</b> |
| ZDue to customers  | 0                                     | 0                                | - 30,812                                   | - 30,812                 |
| Other liabilities  | - 22,829                              | 0                                | 0  | - 22,829                 |
|                    | <b>- 22,829</b>                       | <b>0</b>                         | <b>- 30,812</b>                            | <b>- 53,641</b>          |
| <b>Net assets</b>  | <b>26,077</b>                         | <b>1,204</b>                     | <b>16,321</b>                              | <b>43,602</b>            |

**31 December 2003**

| <b>Assets</b>      | <b>up to<br/>3 months<br/>CZK'000</b> | <b>3 – 12 months<br/>CZK'000</b> | <b>no interest<br/>bearing<br/>CZK'000</b> | <b>Total<br/>CZK'000</b> |
|--------------------|---------------------------------------|----------------------------------|--|--------------------------|
| Cash               | 0                                     | 0                                | 37   | 37                       |
| Due from banks     | 11,635                                | 0                                | 115,985                                    | 127,620                  |
| Other assets       | 9,455                                 | 0                                | 5,398                                      | 14,853                   |
|                    | <b>21,090</b>                         | <b>0</b>                         | <b>121,420</b>                             | <b>142,510</b>           |
| <b>Liabilities</b> | <b>up to<br/>3 months<br/>CZK'000</b> | <b>3 – 12 months<br/>CZK'000</b> | <b>no interest<br/>bearing<br/>CZK'000</b> | <b>Total<br/>CZK'000</b> |
| Due to customers   | 0                                     | 0                                | - 115,985                                  | - 115,985                |
| Other liabilities  | - 7,005                               | 0                                | 0  | - 7,005                  |
|                    | <b>- 7,005</b>                        | <b>0</b>                         | <b>- 115,985</b>                           | <b>- 122,990</b>         |
| <b>Net assets</b>  | <b>14,085</b>                         | <b>0</b>                         | <b>5,435</b>                               | <b>19,520</b>            |

**(d) Liquidity risk**

The table below separates the Company's assets and liabilities into the relevant maturity groupings based on the period remaining to the contractual maturity date as at the balance sheet date.

**31 December 2004**

| <b>Assets</b>      | <b>up to<br/>3 months<br/>CZK'000</b> | <b>3 – 12 months<br/>CZK'000</b> | <b>Unspecified<br/>CZK'000</b> | <b>Total<br/>CZK'000</b> |
|--------------------|---------------------------------------|----------------------------------|--------------------------------|--------------------------|
| Cash               | 52                                    | 0                                | 0                              | 52                       |
| Due from banks     | 22,802                                | 0                                | 30,812                         | 53,614                   |
| Other assets       | 26,104                                | 1,204                            | 16,269                         | 43,577                   |
|                    | <b>48,958</b>                         | <b>1,204</b>                     | <b>47,081</b>                  | <b>97,243</b>            |
| <b>Liabilities</b> | <b>up to<br/>3 months<br/>CZK'000</b> | <b>3 – 12 months<br/>CZK'000</b> | <b>Unspecified<br/>CZK'000</b> | <b>Total<br/>CZK'000</b> |
| Due to customers   | 0                                     | 0                                | - 30,812                       | - 30,812                 |
| Other liabilities  | - 22,829                              | 0                                | 0                              | - 22,829                 |
|                    | <b>- 22,829</b>                       | <b>0</b>                         | <b>- 30,812</b>                | <b>- 53,641</b>          |
| <b>Net assets</b>  | <b>26,129</b>                         | <b>1,204</b>                     | <b>16,269</b>                  | <b>43,602</b>            |

Financial resources received from clients are presented as unspecified.

**31 December 2003**

| <b>Assets</b>      | <b>up to<br/>3 months<br/>CZK'000</b> | <b>Unspecified<br/>CZK'000</b> | <b>Total<br/>CZK'000</b> |
|--------------------|---------------------------------------|--------------------------------|--------------------------|
| Cash               | 37                                    | 0                              | 37                       |
| Due from banks     | 11,635                                | 115,985                        | 127,620                  |
| Other assets       | 9,455                                 | 5,398                          | 14,853                   |
|                    | <b>21,127</b>                         | <b>121,383</b>                 | <b>142,510</b>           |
| <b>Liabilities</b> | <b>up to<br/>3 months<br/>CZK'000</b> | <b>Unspecified<br/>CZK'000</b> | <b>Total<br/>CZK'000</b> |
| Due to customers   | 0                                     | - 115,985                      | - 115,985                |
| Other liabilities  | - 7,005                               | 0                              | - 7,005                  |
|                    | <b>- 7,005</b>                        | <b>- 115,985</b>               | <b>- 122,990</b>         |
| <b>Net assets</b>  | <b>14,122</b>                         | <b>5,398</b>                   | <b>19,520</b>            |

## 21 SUBSEQUENT EVENTS

No events have occurred since the balance sheet date that would have a significant impact on the financial statements of the Company as at 31 December 2004.

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

**Preparation date** 21 February 2005

**Signature of statutory representatives**



Roman Pospíšil



František Vencel

## Report on Relations between Related Parties as at 31 December 2004

In accordance with the appropriate regulations of Act 513/1991 Coll., the Commercial Code, as amended, ŽB-Asset Management, a.s. (“the company”) is part of a concern and is in the position of a controlled party. Since a Contract to Control the Company was not concluded with the company, the Board of Directors is obliged to compile a written report on relations between the controlling and controlled party and on relations between the controlled party and other parties controlled by the same controlling party (“the related parties”) for the year ending 31 December 2004 (“the decisive period”). The Board of Directors declares that all significant transactions with related parties which took place in the decisive period are specified in this report.

### **Related parties**

#### Sole company shareholder – controlling party

The sole shareholder of ŽB-Asset Management, a.s. is the company Pioneer Global Asset Management S.p.A., with registered office at Galleria San Carlo, 6, Milan 20122, Italy, a company duly established and existing in accordance with Italian legal regulations.

#### Controlled company

ŽB-Asset Management, a.s., with registered office at Prague 8, Karolinská 650/1, postal code: 186 00, company no.: 25684558, recorded in the Commercial Register held by the Municipal Court in Prague, section B., file entry 5483, represented by Mgr. Roman Pospíšil, chairman of the Board of Directors, and RNDr. František Vencel, member of the Board of Directors.

#### Organisational structure of the concern

Until 30. 12. 2003 ŽB-Asset Management, a.s. was directly controlled by the company Živnostenská banka, a.s., with registered office at Prague 1, Na Příkopě 858/20, postal code 11380, company no. 00001368, recorded in the Commercial Register held by the Municipal Court in Prague, section B, file entry 1350 (“Živnostenská banka”). Until 11. 2. 2003 Živnostenská banka was directly controlled by the company Bankgesellschaft Berlin AG (“BGB”), with registered office at Alexanderplatz 2, D-10178 Berlin, Germany, Reg.No.527, Sort Code BLZ 100 222 00. BGB is directly controlled by Land Berlin. Since 11. 2. 2003 Živnostenská banka has been directly controlled by the company UniCredito Italiano S.p.A., with registered office at Via Dante 1, 16121 Janov, Italy (“UniCredito Italiano S.p.A.”).

Since 30. 12. 2003 ŽB-Asset Management has been directly controlled by the company Pioneer Global Asset Management S.p.A., with registered office at Galleria San Carlo 6, 20122, Milan, Italy, tax ID no.: 13250740159.

Pioneer Global Asset Management S.p.A. is a member of the UniCredito Italiano Banking Group. UniCredito Italiano S.p.A., together with the company Rolo Banca 1473 S.p.A., established the company Pioneer Global Asset Management S.p.A. in order to integrate collective investment activities (and asset management activities in general, as well as related activities) and thus rationalise the operational procedures and territorial consolidation within the framework of the UniCredito Italiano Banking Group under one assets structure, which is Pioneer Global Asset Management S.p.A. As well as the other companies it controls, Pioneer Global Asset Management S.p.A. also controls the companies Pioneer Investment Management Limited, Pioneer Asset Management, S.A., Pioneer Global Funds Distributor, Pioneer česká finanční společnost, s.r.o., and Pioneer česká investiční společnost, a.s., which are specified in this report and with which the controlled company concluded the transactions described in this report during the course of 2004.

The Board of Directors of ŽB-Asset Management, a.s. declares that between ŽB-Asset Management, a.s and the related companies there existed relations only with the following related parties during the accounting period 2004:

- Pioneer česká finanční společnost, s.r.o., with registered office at Prague 8, Karolinská 650/1, postal code 186 00, company no.: 25611216, recorded in the Commercial Register held by the Municipal Court in Prague, section C, file entry 54684 (“Pioneer česká finanční společnost”);
- Pioneer česká investiční společnost, a.s., with registered office at Prague 8, Karolinská 650/1, postal code: 186 00, company no.: 63078295, recorded in the Commercial Register held by the Municipal Court in Prague, section B, file entry 3049 (“Pioneer česká investiční společnost”);
- ŽB-Trust, investiční společnost, a.s., with registered office at Prague 8, Karolinská 650/1, postal code 186 00, company no.: 63080273 (“ŽB-Trust, investiční společnost, a.s.”);

- Živnostenská banka, a.s.;
- Pioneer Investment Management Limited, with registered office at 1 George's Quay Plaza, George's Quay, Dublin 2, Ireland;
- Pioneer Asset Management, S.A., with registered office at 77 Boulevard Grand Duchesse Charlotte, L – 1331, Luxembourg;
- Pioneer Global Funds Distributor, Ltd., with registered office at Mercury House, 2<sup>nd</sup> Floor, Front Street, Hamilton HM 11, Bermuda

**1.** Contracts concluded between ŽB-Asset Management, a.s. and related parties during the accounts period 2004:

**1.1** The following contracts were concluded during the accounts period 2004 between ŽB-Asset Management, a.s. and companies of the Pioneer Investments Group (i.e. with the companies Pioneer česká finanční společnost, s.r.o., Pioneer česká investiční společnost, a.s., ŽB-Trust, investiční společnost, a.s., Pioneer Investment Management Limited, Pioneer Asset Management, S.A., and Pioneer Global Funds Distributor):

| Title of contract                                      | Contracting party (parties)  | Subject of contract   | Date concluded |
|--|--|---|----------------|
| On the temporary allocation of an employe              | ŽB-Trust, investiční společnost, a.s.  | Conditions applying to the allocation of a temporary employee to the company ŽB –Asset Management, a.s. | 2. 1. 2004     |
| On the temporary allocation of an employe              | ŽB-Trust, investiční společnost, a.s.  | Conditions applying to the allocation of a temporary employee to the company ŽB –Asset Management, a.s. | 2. 1. 2004     |
| On the temporary allocation of an employe              | Pioneer česká investiční společnost, a.s.  | Conditions applying to the allocation of a temporary employee to the company ŽB –Asset Management, a.s. | 2. 1. 2004     |
| On the provision of consultation services <sup>b</sup> | ŽB-Trust, investiční společnost, a.s.,<br>Pioneer česká investiční společnost, a.s.,<br>Pioneer česká finanční společnost, s.r.o.<br>a třetí strana    | Conditions applying to consultancy services in the personnel sphere                                     | 2. 1. 2004     |
| For work   | ŽB-Trust, investiční společnost, a.s.,<br>Pioneer česká investiční společnost, a.s.,<br>Pioneer česká finanční společnost, s.r.o.<br>and a third party | Conditions applying to payroll processing in the company  | 20. 1. 2004    |
| Purchase agreement                                     | ŽB-Trust, investiční společnost, a.s.  | Conditions applying to the purchase of a motorised vehicle by ŽB – Asset Management, a.s.               | 2. 2. 2004     |
| Purchase agreement <sup>a</sup>                        | ŽB-Trust, investiční společnost, a.s.  | Conditions applying to the purchase of a motorised vehicle by ŽB – Asset Management, a.s.               | 2. 2. 2004     |
| Purchase agreement <sup>aa</sup>                       | Pioneer česká investiční společnost, a.s.  | Conditions applying to the purchase of a motorised vehicle by ŽB – Asset Management, a.s.               | 2. 2. 2004     |
| On the sublease of non-residential premises            | Pioneer česká investiční společnost, a.s.  | Conditions applying to the subleasing of non-residential premises                                       | 1. 3. 2004     |
| On the sublease of non-residential premises            | ŽB-Trust, investiční společnost, a.s.  | Conditions applying to the subleasing of non-residential premises                                       | 1. 3. 2004     |
| On the sublease of non-residential premises            | Pioneer česká finanční společnost, s.r.o.  | Conditions applying to the subleasing of non-residential premises                                       | 1. 3. 2004     |
| On the protection of information                       | ŽB-Trust, investiční společnost, a.s.,<br>Pioneer česká investiční společnost, a.s.,<br>Pioneer česká finanční společnost, s.r.o.<br>and a third party | Conditions applying to the handling of confidential information   | 26. 3. 2004    |

<sup>1</sup> The company ŽB-Trust, investiční společnost, a.s. dissolved without liquidation on 27.10.2004, when the decision on a merger of the companies ŽB-Trust, investiční společnost, a.s. with the successor company Pioneer česká investiční společnost, a.s. became effective under law.

|   |  |  |              |
|---|--|--|--------------|
| Purchase agreement  | Pioneer česká finanční společnost, s.r.o.  | Conditions applying to the purchase of a motorised vehicle by ŽB – Asset Management, a.s.  | 1. 4. 2004   |
| On the sublease of a garage   | ŽB-Trust, investiční společnost, a.s.  | Conditions applying to the subleasing of a garage  | 1. 4. 2004   |
| On the sublease of a garage   | Pioneer česká finanční společnost, s.r.o.  | Conditions applying to the subleasing of a garage  | 1. 4. 2004   |
| Agreement for financial services  | Pioneer Asset Management, S.A.,<br>Pioneer Global Funds Distributor  | Conditions applying to the offer of unit certificates and publicity of the sale of Pioneer Funds sub-funds   | 1. 4. 2004   |
| On implementation of the system ARBES UNIT Trust and a third party<br>UTP20PR/11033.04<br>(ŽB-Trust, investiční společnost, a.s.)                             | ŽB-Asset Management, a.s.  | Conditions applying to the implementation of the system ARBES UNIT Trust   | 15. 4. 2004  |
| On the processing of an analytical study for the implementation of the system ARBES UNIT Trust<br>UTP20PR/11033.04<br>(ŽB-Trust, investiční společnost, a.s.) | ŽB-Asset Management, a.s.<br>and a third party   | Conditions applying to the compilation of an analytical study for the purpose of implementing the system ARBES UNIT Trust  | 15. 4. 2004  |
| For work no. 43/2004 for the organisation of removal services   | ŽB-Trust, investiční společnost, a.s.,<br>Pioneer česká finanční společnost, s.r.o.,<br>ŽB-Asset Management, a.s. and<br>a third party                 | Conditions applying to relocation of the company office  | 30. 4. 2004  |
| On the provision of the services of a data centre no. SD-2004-132   | ŽB-Trust, investiční společnost, a.s.,<br>Pioneer česká finanční společnost, s.r.o.,<br>Pioneer česká investiční společnost, a.s.<br>and a third party | Conditions applying to the provision of data centre services   | 1. 5. 2004   |
| For work SM-2004-117  | ŽB-Trust, investiční společnost, a.s.,<br>Pioneer česká finanční společnost, s.r.o.,<br>ŽB-Asset Management, a.s. and<br>a third party                 | Conditions applying to the relocation of IT facilities to the new company office   | 14. 5. 2004  |
| Sub-investment management agreement   | Pioneer Investment Management Limited  | Conditions applying to the functioning of ŽB-Asset Management, a.s. as a sub-investment manager  | 28. 5. 2004  |
| On support and maintenance of the information system ARBES CRM no. CRP20SE/11075.04   | ŽB-Asset Management, a.s.<br>and a third party   | Conditions applying to the servicing and maintenance of, and other services relating to the system ARBES UNIT Trust  | 15. 10. 2004 |
| Purchase agreement  | Pioneer česká finanční společnost, s.r.o.  | Conditions applying to the purchase of a motorised vehicle by ŽB – Asset Management, a.s.  | 25. 10. 2004 |
| Service level agreement   | Pioneer Investment Management Limited  | Conditions applying to the provision of services to the company Pioneer Investment Management Limited under the terms of a sub-investment management agreement, relating to Pioneer New Europe Funds | 25. 11. 2004 |



**1.2** The following contracts were concluded between ŽB-Asset Management, a.s. and companies of the UniCredito Italiano Banking Group (i.e. the company Živnostenská banka, a.s.) during the accounts period 2004:

| Title of contract  | Contracting party (parties)                                     | Subject of contract                              | Date concluded |
|--|---|--|----------------|
| On the sharing of a database application SD-2004-152 (ŽB-Trust, investiční společnost, a.s.) | Živnostenská banka, a.s., ŽB-Trust, investiční společnost, a.s. | Conditions applying to the sharing of a database | 22. 10. 2004   |

**2.** The performances rendered during the accounts period 2004 by ŽB-Asset Management, a.s. in respect of related parties, and the consideration provided therefor:

The performances rendered during the accounts period 2004 by ŽB-Asset Management, a.s. in respect of related parties, and the considerations provided therefor are specified under point 18 of the appendix to the final accounts. All performances and considerations were provided within the framework of regular commercial relations and under regular commercial conditions.

**3.** Other legal transactions which were undertaken during the accounts period 2004 by ŽB-Asset Management, a.s. in the interest of the related parties:

The Board of Directors of ŽB-Asset Management, a.s. declares that no other legal transactions were undertaken by ŽB-Asset Management, a.s. during the accounts period 2004 in the interest of related parties over and above the framework of regular legal transactions within regular commercial relations, or, as the case may be, regular legal transactions undertaken by ŽB-Asset Management, a.s. within the framework of the regular execution of the rights of Pioneer Global Asset Management, S.p.A., as the sole shareholder in ŽB-Asset Management, a.s.

**4.** Other measures which were undertaken during the accounts period 2004 in the interest of or at the instigation of related parties by ŽB-Asset Management, a.s., their advantages and disadvantages:

The Board of Directors of ŽB-Asset Management, a.s. declares that ŽB-Asset Management, a.s. undertook no measures during the accounts period 2004 in the interest of or at the instigation of related parties outside the framework of regular commercial relations, or, as the case may be, outside the framework of the regular execution of the rights of Pioneer Global Asset Management, S.p.A., as the sole shareholder in ŽB-Asset Management, a.s.

**5.** Detriment suffered by ŽB-Asset Management, a.s. from the contracts and measures specified above:

The Board of Directors of ŽB-Asset Management, a.s. declares that, in its opinion, ŽB-Asset Management, a.s. suffered no detriment whatsoever from the contracts and measures specified above.



Roman Pospíšil  
 Chairman of the Board of Directors



František Vencel  
 Member of the Board of Directors



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## **Auditor's report to the shareholders of ŽB-Asset Management, a.s.**

On the basis of our audit, on 21 February 2005 we issued an auditor's report on the Company's statutory financial statements, which are included in this annual report, and our report was as follows:

"We have audited the accompanying financial statements of ŽB-Asset Management, a.s. for the year ended 31 December 2004. These financial statements are the responsibility of the Company's management. 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 the auditing standards of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present, in all material respects, a true and fair view of the assets, liabilities, equity and financial position of ŽB-Asset Management, a.s. as of 31 December 2004 and the results of its operations for the 2004 then ended in accordance with the Act on Accounting and relevant legislation of the Czech Republic."

We have reviewed other accounting information in the annual report for consistency with the audited financial statements. In our opinion, the information is consistent in all material respects with the audited financial statements.

The management of the Company is responsible for the completeness and accuracy of the report on relations between related parties. Our responsibility is to review the accuracy of the information included in the report. During our review nothing came to our attention that would cause us to believe that the information contained in the report is materially inaccurate.

Prague  
29 April 2005

  
KPMG Česká republika Audit, s.r.o.  
Licence number 71

  
Ing. Pavel Závitkovský  
Licence number 69

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