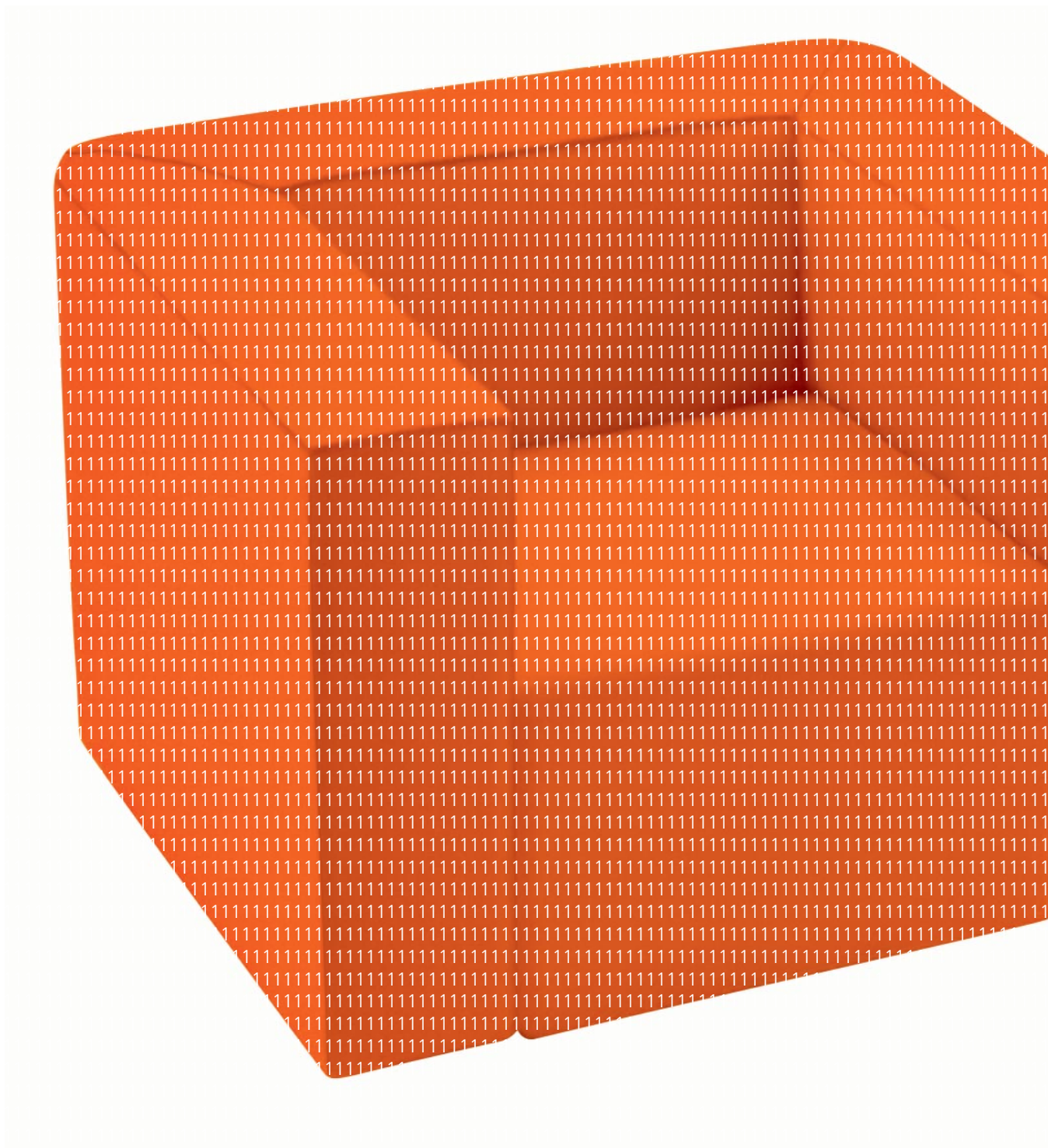
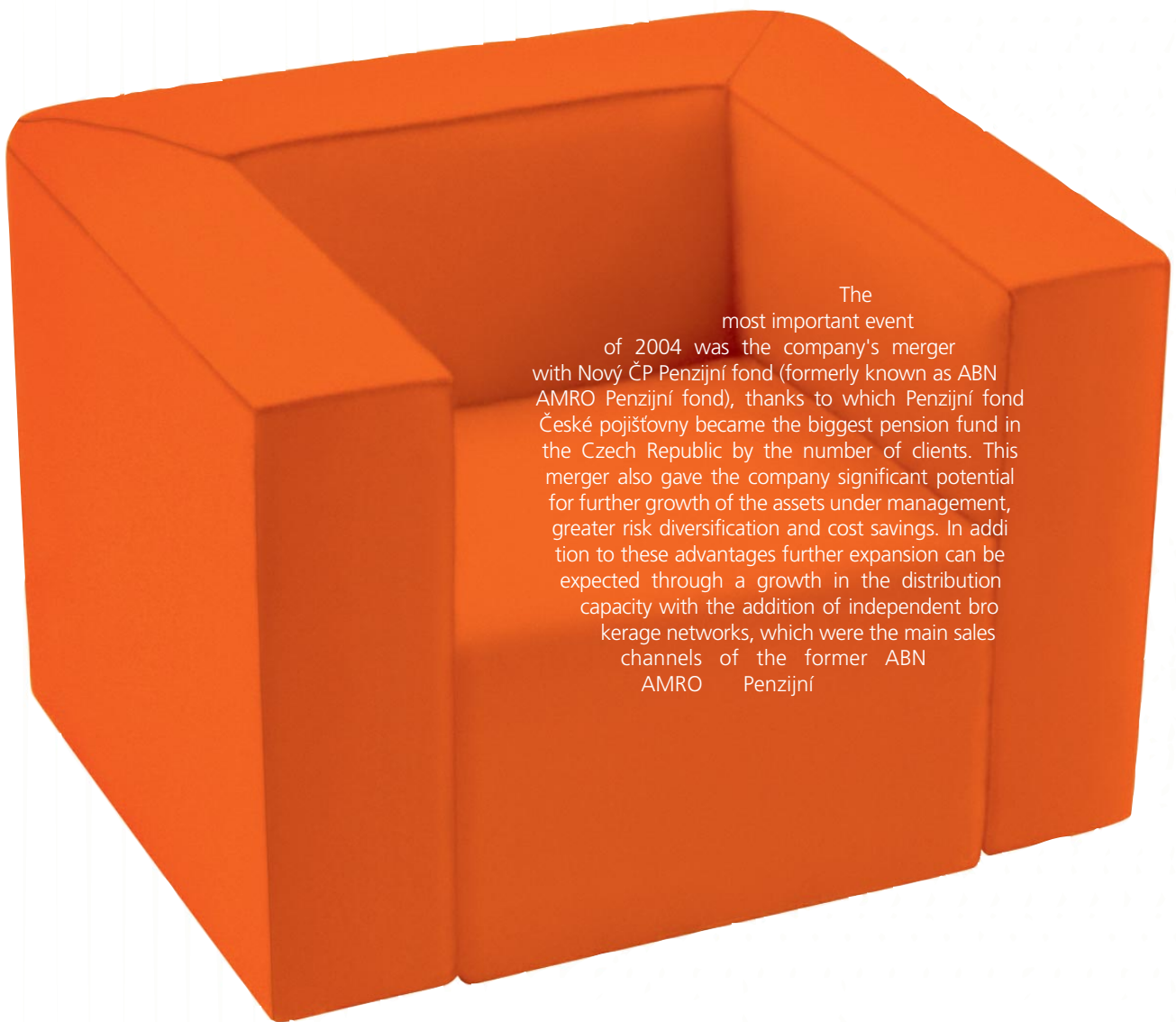


Penzijní fond České pojišťovny, a.s.

annual report 2004



PENZIJNÍ FOND
ČESKÉ POJIŠŤOVNY



The most important event of 2004 was the company's merger with Nový ČP Penzijní fond (formerly known as ABN AMRO Penzijní fond), thanks to which Penzijní fond České pojišťovny became the biggest pension fund in the Czech Republic by the number of clients. This merger also gave the company significant potential for further growth of the assets under management, greater risk diversification and cost savings. In addition to these advantages further expansion can be expected through a growth in the distribution capacity with the addition of independent brokerage networks, which were the main sales channels of the former ABN AMRO Penzijní

With a **26%** market share
Penzijní fond České pojišťovny is the **biggest**
supplementary pension insurance provider in the Czech Republic.

In 2004 Penzijní fond České pojišťovny signed up **155,000** new clients,
which brought the total number to almost **771,000**.

The year-on-year profit grew by **140%** and the amount of assets under management
reached CZK **22 billion**.

Penzijní fond České pojišťovny delivered a **3.5%** yield to its clients in 2004.

Annual Report 2004

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Company Profile

Company name:	Penzijní fond České pojišťovny, a.s.
Registered office:	Truhlářská 1106/9, Post Code 110 00, Prague 1
Legal form:	Joint-stock company
Established on:	19 September 1994
Identification number:	61858692
Commercial Register:	Municipal Court in Prague, Section B, File No. 2738
Company shareholder (share of registered capital):	Česká pojišťovna a.s. (91.1%) PROXY – FINANCE a.s. (8.8%) Others (0.1%)
Registered capital:	CZK 213,700,000

Penzijní fond České pojišťovny, a.s. (also referred to as “Penzijní fond České pojišťovny” or “PFČP”), has been active on the supplementary pension insurance market since 1994. Its founder and majority shareholder is the insurance company Česká pojišťovna a.s. During the ten years of its existence Penzijní fond České pojišťovny has attained the status of one of the strongest companies and is currently the fastest expanding pension fund in the Czech Republic.

The mission of Penzijní fond České pojišťovny is to be a leading, trustworthy and highly reliable provider of supplementary pension insurance with a state contribution. The main strategic aim of the pension fund is to keep increasing its share of the individual and corporate clientele segments, effectively manage the assets entrusted to it and to provide a high level of services.

Services Provided

Penzijní fond České pojišťovny provides supplementary pension insurance with a state contribution and all types of pensions – old-age, service, invalidity and estate pensions. In co-operation with Česká pojišťovna, the fund has developed a special range of integrated services for corporate clientele known as ČP Program zaměstnaneckých výhod (ČP Employee Benefits Programme). This is a comprehensive range of supplementary pension insurance and life insurance. The ČP Employee Benefits Programme offers companies tailor-made products. Besides high-quality supplementary pension insurance, the flagship products in its comprehensive portfolio are capital life insurance and risk insurance for supplementary pension insurance participants.

Awards and Successes

Penzijní fond České pojišťovny received two major awards during 2004. In the prestigious Rhodos – Award for Corporate Image, the company came second in the pension fund category. A representative sample of top managers throughout the Czech Republic (500 in total) judges the companies in individual categories. In the Zlatý Měsíc 2004 survey, as part of which financial institutions are rated by the general public, Penzijní fond České pojišťovny won its particular category.

Key Financial Indicators

CZK '000	2004	2003	2002	2001	2000	1999
Net profit (loss)	707,025	294,764	200,957	179,594	153,621	187,725
Total net assets	21,742,736	11,094,736	7,600,108	5,746,557	4,344,780	3,305,254
Registered capital	213,700	210,000	210,000	110,000	110,000	110,000
Number of clients	770,640	463,948	348,393	322,179	296,059	226,805
Yields earned (in % p.a.)	3.5	3.1	3.2	3.8	4.5	6.6
Statutory reserve fund	106,093	57,866	36,081	27,101	19,420	10,034

Corporate Governance and Organisational Structure

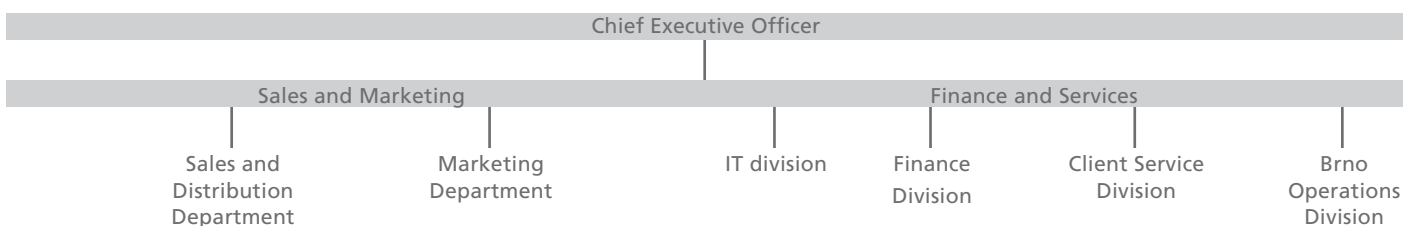
Board of Directors

		Position
Ivo Foltýn, MBA	Chairman of the Board	Deputy Director of Life Insurance at Česká pojišťovna a.s. and Chief Executive Officer of Penzijní fond České pojišťovny, a.s.
Tomáš Matoušek, MBA	Vice-Chairman of the Board	Executive Director of Finance and Services at Penzijní fond České pojišťovny, a.s.
Václav Šrajer, MBA	Member of the Board	Director of the Analysis Department at PPF a.s.
Petr Kopecký	Member of the Board	Deputy Director of Sales and Marketing at Česká pojišťovna a.s.
Tomáš Machanec, MBA	Member of the Board	Director of the Life Insurance Product Management Division at Česká pojišťovna a.s.

Supervisory Board

		Position
Darina Kocsisová, Ph.D.	Chairperson of the Supervisory Board	Director of the Actuarial Mathematics and Life Insurance Profitability Division at Česká pojišťovna a.s.
Marek Mastník, MBA	Member of the Supervisory Board	Senior Financial Analyst at PPF a.s.
Helena Lazosová	Member of the Supervisory Board	Director of the Life Insurance Actuarial Mathematics Department at Česká pojišťovna a.s.
Vít Šroller	Member of the Supervisory Board	Director of the Actuarial Mathematics Division at Česká pojišťovna a.s.
Pavel Hlaváč	Member of the Supervisory Board	HR Director at ŠKODA AUTO a.s.
Petr Obst	Member of the Supervisory Board	CFO of Skanska DS a.s.
Martin Vrba	Member of the Supervisory Board	Director of the Life Insurance Client Service Division at Česká pojišťovna a.s.
Martin Brůha	Member of the Supervisory Board	Director of Branch Network Management at Česká pojišťovna a.s.

Organisational Structure of the Company



Chairman's Statement



Dear shareholders, clients and business partners,

On behalf of the company's management I would like to take this opportunity to present the Ordinary Annual Report of Penzijní fond České pojišťovny, which gives a detailed summary of the company's financial and commercial results. In 2004 our company celebrated ten years of activities and I can say with pleasure that it has done so very successfully. The combined efforts of its management, employees and business partners has resulted in meeting the long-term objective of the company's shareholders, with Penzijní fond České pojišťovny attaining a leading position on the supplementary pension insurance market. I am convinced that this success will be a source of benefits for shareholders and clients alike.

In 1994, immediately after the establishment of the pension market, forty pension funds were formed, each competing fiercely for clients. A process of gradual consolidation followed, with funds merging to form today's 11 entities. Penzijní fond České pojišťovny has been, ever since its establishment, an ambitious player, and was instrumental in setting the rate of market development and expansion whilst strengthening its position on the market. The popularity of pension savings schemes was also the result of the parameters set by the state and the associated legislation. An increase in the state contribution, the introduction of a tax

advantage and the expansion of investment opportunities were all important factors that led to the creation of a favourable climate and supported the demand for pension savings. Another fundamental change and impetus for the contemporary system of private pension savings may result from the comprehensive pension reforms, which are now the subject of political as well as economic debate. Our company is an active participant in the discussions on reforms, being a member of the Association of Pension Funds of the Czech Republic, which provides a platform for consulting with and making proposals to executive and legislative bodies.

Our company can consider 2004 as a key period in its ten-year history. It was notable for the demanding integration with Nový ČP Penzijní fond (formerly known as ABN AMRO Penzijní fond), with the final phase of this integration process running through the first half of 2005. The merger of these two funds and the future growth of this combined entity has resulted in the creation of the largest pension fund on the market, which, by the total number of clients, controls a market share of 26%. In April 2005 Penzijní fond České pojišťovny had over 800,000 clients and was entrusted with the management of more than 23 billion crowns of assets. We expect further significant growth in these key indicators. The merger also enabled us to diversify the investment risks we face, expand our distribution capacity with the addition of an independent sales network and reduce overall costs as a result of economies of scale.

The company's intensive growth rate was also supported across all parameters by other factors, namely active co-operation within the Česká pojišťovna Group and public debate on pension reform and the associated popularisation of savings. Thus, in just a year, Penzijní fond České pojišťovny concluded 155,000 new client contracts. The company's focus on the corporate clientele segment is also bearing fruit, as this segment is not yet fully saturated as far as the level of employer contributions to employee pensions is concerned. In particular, small and medium enterprises in the regions are a source of significant potential for generating new business. By this the company has managed to double its client base with an employer contribution in a single calendar year to 166,000 people.

Legislative changes that came into effect last year resulted in a significant expansion of the investment opportunities available to pension funds, which were, up till then, limited mainly to Czech government bonds and debentures. Even though these types of ownership interests earn a stable and safe yield, at times of extremely low interest rates they give investors low returns. In co-operation with PPF Asset Management, our subsidiary company, we have modified our investment strategy and expanded our investment portfolio with fast growing Czech shares and high-quality foreign investments. This proved to be a good move and resulted in the company achieving its highest net profit in 2004 of CZK 707 million, which we have transferred to our clients by crediting their accounts with an above-average appreciation on their savings of 3.5% p.a.

One of the company's main objectives is still to expand and improve the services it provides to clients, increasing the value of their savings, strengthening the good relationships with its business partners and, in particular, with our most important distributors. By focusing on these key objectives we want to ensure the further growth of the company and meet the expectations of our shareholders as far as the appreciation of their investment is concerned. The results of Penzijní fond České pojišťovny for 2004 represent a significant commitment. In the coming period, besides thoroughly implementing our long-term strategy in the supplementary pension insurance field, we will continue to use the strength and infrastructure of the Česká pojišťovna financial group. In this way we wish to continue the development of our company and strengthen our leading position on the market.

A stylized handwritten signature in black ink, appearing to read 'Foltýn'.

Ivo Foltýn, MBA

Chairman of the Board of Directors and Chief Executive Officer

Report on the Company's Activities

Once again Penzijní fond České pojišťovny confirmed that it is currently the most dynamically expanding pension fund on the market. Its intense growth is proven by its sales results as well as the financial indicators.

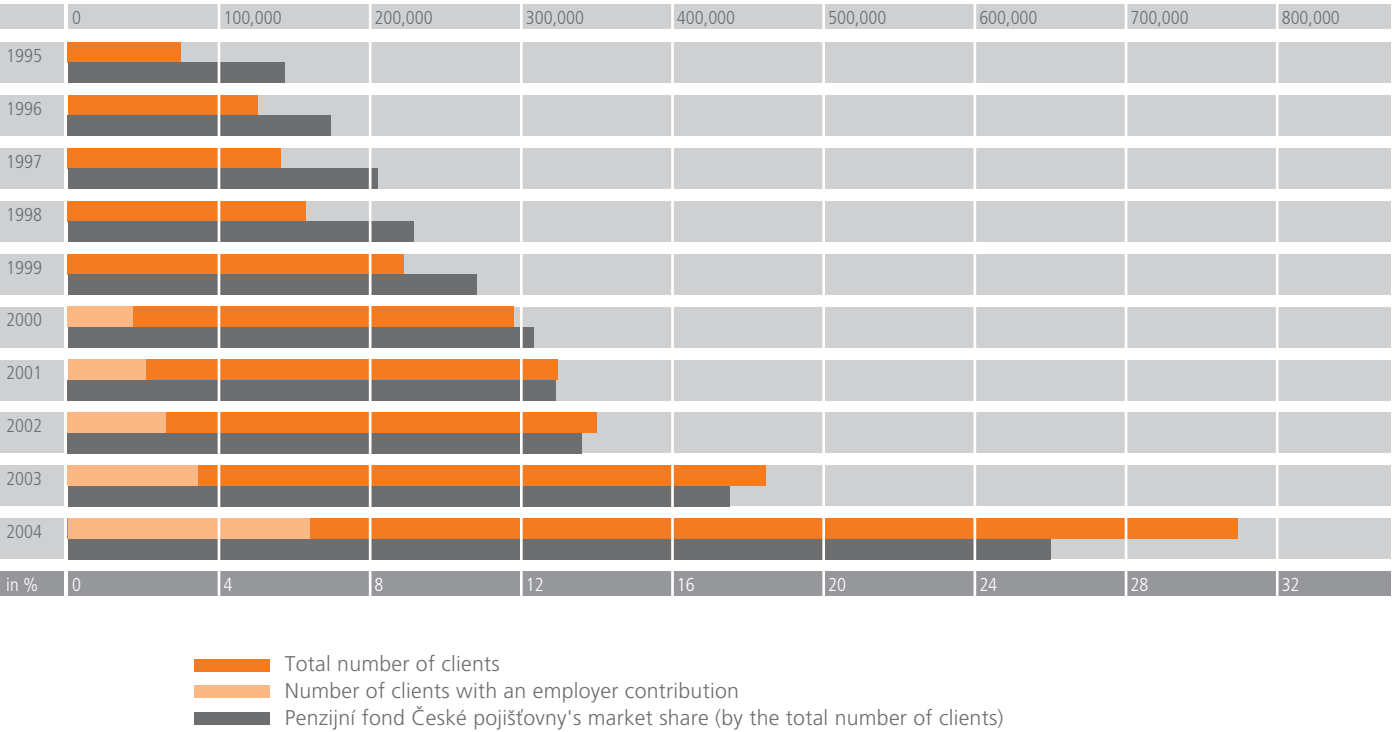
The most important event of 2004 was its merger with Nový ČP Penzijní fond (formerly known as ABN AMRO Penzijní fond), thanks to which Penzijní fond České pojišťovny became the largest pension fund in the Czech Republic by total client number. This merger also brought the company significant potential for further growth in the amount of assets under management, risk diversification and cost savings associated with economies of scale. Together with these benefits we can expect to record further sales growth due to an expansion in distribution capacity with the addition of independent brokerage networks, which were the main sales channels of the former ABN AMRO Penzijní fond.

Sales Results

Close co-operation within the Česká pojišťovna Group and the use of large brokerage companies resulted in 155,000 new contracts being concluded by Penzijní fond České pojišťovny in 2004. In 2003 the number of new contracts concluded by Penzijní fond České pojišťovny was only 86,000. The level of interest in private pension insurance is determined by the growing knowledge of the benefits of this savings method among the general public as well as the public debate on the need for a new pension system. The fund was able to react to this interest by implementing the appropriate sales methods, and at the end of December 2004 it had a total of 771,000 clients. This is a year-on-year growth of 66%. The company's market share, according to the total number of clients, exceeded 26%, increasing by more than 8.7% in the past year.

The company also recorded a similar rate of growth in the corporate clientele segment, in which it provides an individual service to all types of employers. In 2002 Penzijní fond České pojišťovny recorded 67,000 clients with employer contributions and in 2003 this number was 88,000, currently Penzijní fond České pojišťovny has over 175,000 clients. Penzijní fond České pojišťovny provides its services to more than 4,500 companies; its biggest clients are Škoda Auto, Czech Railways, Eurotel and Skanska.

Development in the Number of Clients and Penzijní fond České pojišťovny's Market Share

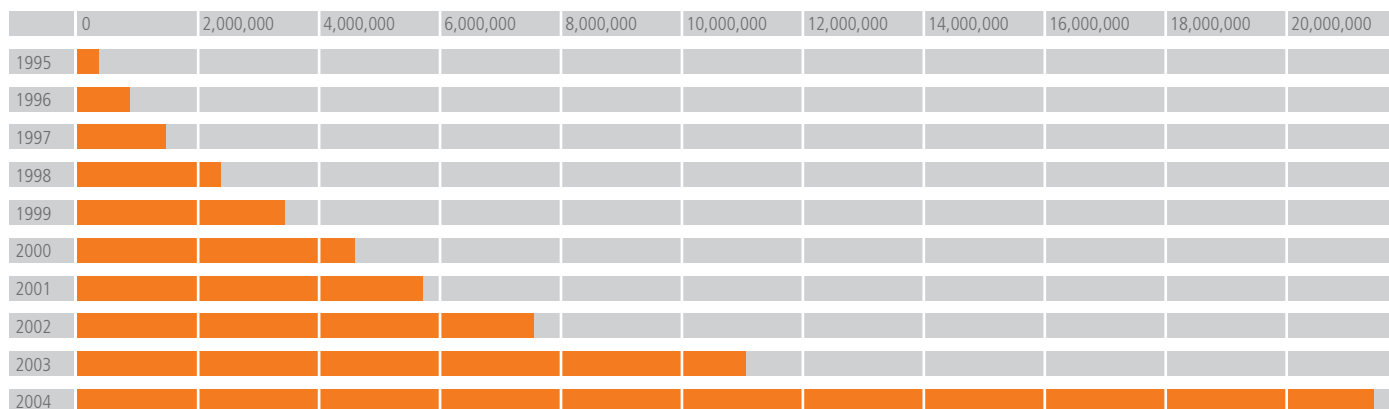


Financial Results

The financial results for 2004 were positively influenced by the merger with ABN AMRO Penzijní fond and the very good portfolio management results. In 2004 Penzijní fond České pojišťovny recorded a net profit of CZK 707 million, which is the highest in its history. In 2003 the fund recorded a profit of CZK 295 million. The value of assets under management by Penzijní fond České pojišťovny as at 31 December 2004 was CZK 21.7 billion, which is a year-on-year growth of more than 95%, with a market share of 21%. Simultaneously, there was a 90% growth in contributions invested – from CZK 2.96 billion in 2003 to CZK 5.68 billion in the elapsed year.

The costs of the Brno operations of ABN AMRO Penzijní fond were reduced significantly in 2004 and this office will be closed in 2005. This will result in the full realisation of economies of scale savings and a further decline in the cost margin. The good financial results allowed the company to credit its clients' accounts with a yield of 3.5% p.a., which was a higher return than in 2003.

Assets Managed by Penzijní fond České pojišťovny (in CZK '000)



Portfolio Management

The setting of the investment strategy is based primarily on the expected developments in the Czech economic environment. At the same time, in April parliament passed an amendment to the supplementary pension fund, which resulted in a significant expansion in the investment opportunities for pension funds.

The year 2004 was notable for renewed growth in inflation, brought about mainly by an increase in consumption taxes and VAT and a growth in commodity prices, namely oil. The Czech National Bank reacted to the developments in the inflation rate by increasing interest rates on two occasions to 2.5%. The change in interest rates also affected bond market yield development, even though bonds yields remained at clearly the lowest of the countries in the Central European region. On the other hand, in the Czech Republic an atmosphere of very positive expectations of domestic share market growth dominated because of the country's entry into the European Union.

During the past year Penzijní fond České pojišťovny significantly increased the percentage of shares in its portfolio and realised high capital gains on the expected growth in their value. In the second half of the year the fund also focused on foreign stock markets. The new investment strategy also concentrated on the acquisition of structured products linked to foreign investments, which by their construction enable an interesting yield at a relatively low risk to be attained (the products are issued as bonds). These investments also led to a higher degree of portfolio diversification and lower dependence of the portfolio on interest rates in the Czech Republic. Some of the portfolio's funds were also allocated to the Central European region, which is expected to show further growth. The largest share of the portfolio however is still investments in the Czech Republic.

Portfolio Structure

	2004		2003		2002		2001	
	CZK '000	%	CZK '000	%	CZK '000	%	CZK '000	%
Government bonds	8,471,813	40	4,165,794	38	3,145,477	42	1,240,140	22
Bonds issued by commercial banks and the Czech National Bank	3,835,909	18	1,087,235	10	1,325,690	18	1,431,570	26
Bonds issued by commercial companies	5,107,227	24	3,343,442	31	2,428,913	33	1,798,109	32
Bonds issued by the governments and central banks of OECD countries	1,122,091	5	960,871	9	—	—	—	—
Shares and mutual fund certificates	1,053,103	5	309,872	3	116,164	2	463,441	8
Bank deposits	1,397,807	7	781,862	7	258,601	3	525,696	10
Other ownership interests*	258,445	1	201,674	2	142,985	2	122,827	2
Portfolio market value	21,246,395	100	10,850,750	100	7,417,830	100	5,581,783	100

* Receivables against the state contribution, tax receivables and coupons.

Portfolio Structure as at 31 December 2004 (%)



Supervisory Board Report

In 2004, the Supervisory Board of Penzijní fond České pojišťovny, a.s. (referred to as the “company”), carried out its activities in compliance with the provisions of the relevant laws and the company’s Articles of Association, supervising the Board of Directors’ activities and the execution of the company’s business activities, as well as fulfilling the obligations stipulated in the relevant provisions of the Commercial Code in connection with the merger of the company with the joint-stock company ABN AMRO Penzijní fond, a.s.

The company’s Supervisory Board held seven ordinary meetings according to the Articles of Association and made one per rollam decision in 2004, focusing particularly on supervising the economic situation of the company, its business activities and results, status and yields of the investment portfolio and the fulfilment of the financial and business plan for 2004.

From the start of 2004 the company’s Supervisory Board comprised the following members: Darina Kocsisová, Ph.D., Bohuslava Vohradská, Vít Šroller, Helena Lazosová, Josef Kessler and Marek Mastník, MBA. At its extraordinary meeting, executed per rollam in August 2004, the Supervisory Board discussed and acknowledged the resignation of Bohuslava Vohradská and in September 2004 at its ordinary meeting discussed and acknowledged the resignation of Josef Kessler. In September 2004, at the company’s ordinary meeting, the sole shareholder decided on the appointment of Petr Obst and Pavel Hlaváč as members of the Supervisory Board as part of the expansion of the Board’s membership pursuant to the company’s newly approved Articles of Association. At its December ordinary meeting the Supervisory Board co-opted two new members: Martin Brůha and Martin Vrba.

The Board of Directors submitted to the Supervisory Board the financial statements of the company for 2004, compiled as at 31 December 2004 and verified by the auditor, and a proposal for the distribution of profit generated in 2004. A Report on the Relations between Related Entities for 2004 was also submitted to the Supervisory Board for its review, compiled pursuant to Section 66a (9) of the Commercial Code, the accuracy of which was also verified by the company’s auditor. Based on the review of the financial results reported by the company in 2004, the Supervisory Board renders the following statement to the General Meeting:

On the basis of a review of the company’s financial statement and the Auditor’s Report, the Supervisory Board agrees with the auditor’s statement and finds no exceptions or defects in these documents. As such, it recommends that the General Meeting approves the company’s 2004 financial statements and the distribution of profits generated in 2004, according to the proposal presented by the Board of Directors.

The Supervisory Board also reviewed the Report on Relations between Related Entities for 2004, compiled pursuant to Section 66a (9) of the Commercial Code and verified by the company’s auditor, and did not find any facts that would form a reason for it to give a negative opinion on the content of this document.

Prague, 10 March 2005



Darina Kocsisová, Ph.D.

Chairperson of the Supervisory Board

Translation of Auditor's Report

Auditor's Report for the Shareholder of Penzijní fond České pojišťovny, a.s.

On the basis of the audit carried out by us, we issued an auditor's report on 21 February 2005 on the financial statements enclosed hereto:

"We carried out an audit of the enclosed financial statements submitted to us by Penzijní fond České pojišťovny, a.s. for the year ended 31 December 2004. The compilation of these financial statements is the responsibility of the company's management. Our responsibility is to express a statement on these financial statements on the basis of this audit.

We carried out the audit in accordance with the Act on Auditors and the auditing standards of the Chamber of Auditors of the Czech Republic. These directives require that we plan and carry out the audit to obtain reasonable assurance that the financial statements are free of material misstatements. An audit includes examining, on a random 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 presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair picture, in all material aspects, of the assets, liabilities, shareholders' equity and financial position of Penzijní fond České pojišťovny, a.s., as at 31 December 2004 and of the results of its operations for the 2004 fiscal year pursuant to the Accounting Act and the relevant Czech regulations."

We also verified the consistency of other information of a financial nature, presented within the Annual Report, with the audited Financial Statement. In our opinion, the information complies, in all material aspects, with the audited financial statements.

The completeness and accuracy of the Report on Relations between Related Entities is the responsibility of the company's management. Our responsibility is to verify the accuracy of the data contained in the report. We did not find any facts that would lead us to the opinion that the report contains material misstatements.

Prague, 16 May 2005

KPMG Česká republika Audit

KPMG Česká republika Audit, s.r.o.

Licence No. 71

Pobřežní 648/1a, Post Code 186 00, Prague 8, Czech Republic



Pavel Závitkovský

Licence No. 69



Balance Sheet

as at 31 December 2004, in CZK '000 (unconsolidated)

ASSETS	2004		2003	
	Gross amount	Adjustment	Net amount	Net amount
Cash in hand and deposits at central banks	35	–	35	18
Cash in hand	35	–	35	18
Deposits at central banks	–	–	–	–
Government zero-coupon bonds and other securities eligible for financing with the central bank	–	–	–	–
Government securities	–	–	–	–
Other securities	–	–	–	–
Receivables against banks, co-operative savings societies	1,397,807	–	1,397,807	781,862
Payable on demand	358,320	–	358,320	781,862
Other receivables	1,039,487	–	1,039,487	–
Receivables against non-bank entities	10,370	10,370	–	–
Payable on demand	–	–	–	–
Other receivables	10,370	10,370	–	–
Debt securities	18,537,040	–	18,537,040	9,557,342
Government institutions	8,471,813	–	8,471,813	4,165,794
Other entities	10,065,227	–	10,065,227	5,391,548
Shares, mutual fund certificates and other ownership interests	1,053,103	–	1,053,103	309,872
Shares	1,053,103	–	1,053,103	309,872
Mutual fund certificates and other ownership interests	–	–	–	–
Participation in associated companies	–	–	–	–
In banks	–	–	–	–
In other entities	–	–	–	–
Participation in subsidiaries	–	–	–	–
In banks	–	–	–	–
In other entities	–	–	–	–
Intangible fixed assets	50,240	35,238	15,002	5,284
Establishment costs	–	–	–	–
Goodwill	853	412	441	–
Other intangible assets	49,387	34,826	14,561	5,284
Acquisition of intangible assets and advances paid	–	–	–	–
Tangible fixed assets	96,170	51,479	44,691	20,690
Land and buildings for operations	17,027	1,740	15,287	–
Other tangible assets	79,143	49,739	29,404	20,690
Tangible operating assets	79,143	49,739	29,404	20,690
Acquisition of tangible operating assets and advances paid	–	–	–	–
Tangible non-operating assets	–	–	–	–
Acquisition of tangible non-operating assets and advances paid	–	–	–	–
Other assets	268,484	2,569	265,915	211,920
Other cash values	69	–	69	265
Trade debtors	8,636	2,569	6,067	8,081
Receivables against the state budget – state contribution	220,542	–	220,542	122,071
Receivables against the state budget – tax receivables	9,179	–	9,179	58,064
Receivables against transactions with securities	28,724	–	28,724	21,539
Inventories	–	–	–	1,860
Estimated receivables and other assets	1,334	–	1,334	40
Receivables against shareholders	–	–	–	–
Prepayments and accrued income	429,143	–	429,143	207,748
Deferred expenses	429,143	–	429,143	207,748
Accrued income	–	–	–	–
TOTAL ASSETS	21,842,392	99,656	21,742,736	11,094,736

LIABILITIES	2004	2003
Payables to banks, co-operative savings societies	–	–
Payable on demand	–	–
Other payables	–	–
Payables to non-bank entities	–	–
Liabilities from debt securities	–	–
Issued debt securities	–	–
Other liabilities from debt securities	–	–
Other liabilities	20,211,242	10,415,469
Trade creditors	19,771	13,453
Payables to employees	4,047	2,947
Social security liabilities	2,449	1,686
Payables to the state budget – recovery of state contributions	4,115	2,772
Payables to the state budget – tax liabilities	6,316	2,134
Liabilities from transactions with securities	–	–
Estimated payables and other liabilities	16,728	1,922
Plan-holders' funds	20,157,816	10,390,555
Plan-holders' funds and state contributions	18,685,547	9,620,482
Funds for pension payment	20,233	11,551
Yields from plan-holders' contributions	1,332,024	688,651
Unallocated plan-holders' contributions	80,250	3,192
Benefit payout	39,762	66,679
Accruals and deferrals	3,131	3,694
Deferred income	3,131	3,694
Accrued expenses	–	–
Provisions	14,803	592
Provisions for pensions and similar liabilities	14,803	592
Provisions for taxes	–	–
Other provisions	–	–
Subordinated liabilities	–	–
Registered capital	213,700	210,000
Of this: paid-up registered capital	213,700	210,000
Shareholders' equity	–	–
Share premium	50,000	50,000
Reserve funds and other funds created from profit	122,419	75,065
Statutory reserve funds and funds created from profit	106,093	57,866
Reserve funds to own shares	–	–
Other reserve funds	–	–
Other funds created from profit	16,326	17,199
Of this: risk fund	–	–
Reserve fund for new valuation	–	–
Capital funds	245,567	80,057
Shareholders' capital contributions	225,753	60,245
Other capital funds	19,814	19,812
Revaluation reserve	144,552	-47,832
Gains or losses from the revaluation of assets and liabilities	141,701	-47,953
Gains or losses from the revaluation of hedging derivatives	2,851	121
Gains or losses from the revaluation of ownership interests	–	–
Retained profits or accumulated losses of previous years	30,297	12,927
Retained profits of previous years	30,297	12,927
Accumulated losses of previous years	–	–
Profit (loss) subject to approval proceedings	–	–
Profit (loss) for the current year	707,025	294,764
TOTAL LIABILITIES	21,742,736	11,094,736

Off-Balance Sheet

as at 31 December 2004, in CZK '000 (unconsolidated)

OFF-BALANCE SHEET ITEMS	2004	2003
OFF-BALANCE SHEET ASSETS	20,928,754	10,602,992
Promises and guarantees pledged	–	–
Liens provided	–	–
Receivables from spot operations	–	–
Receivables from fixed term operations	–	–
Receivables from options	–	–
Receivables written off	–	–
Values entrusted into custody, management and storage	–	–
Values handed over for management	20,928,754	10,602,992
OFF-BALANCE SHEET LIABILITIES	718,021	1,582,042
Promises and guarantees accepted	–	–
Liens and security accepted	–	–
Liabilities from spot operations	–	313,105
Liabilities from fixed term operations	718,021	1,268,937
Liabilities from options	–	–
Values received into custody, management and storage	–	–
Values received for management	–	–

Summary of Changes in Shareholders' Equity

as at 31 December 2004, in CZK '000 (unconsolidated)

	Registered capital	Share issue premium	Profit in the current year	Accumulated profit (loss) of past years	Capital funds	Reserve fund	Funds created from profit	Total
Balance as at 31. 12. 2002	210,000	50,000	200,957	8,172	25,713	36,081	17,863	548,786
Balance as at 1. 1. 2003	210,000	50,000	248,507	8,172	78,173	45,441	17,863	658,156
Contribution to the reserve fund	–	–	-12,425	–	–	12,425	–	0
Yield credited to plan-holders' accounts	–	–	-231,327	–	–	–	–	-231,327
Transfers between shareholders' equity accounts	–	–	-4,755	4,755	–	–	–	0
Drawing on capital funds and funds created from profit	–	–	–	–	1,884	–	-664	1,220
Profit for 2003	–	–	294,764	–	–	–	–	294,764
Balance as at 31. 12. 2003	210,000	50,000	294,764	12,927	80,057	57,866	17,199	722,813
Balance as at 1. 1. 2004	213,700	50,000	478,460	12,927	245,564	82,170	17,199	1,100,020
Contribution to the reserve fund	–	–	-23,923	–	–	23,923	–	0
Yield credited to plan-holders' accounts	–	–	-436,167	–	–	–	–	-436,167
Transfers between shareholders' equity accounts	–	–	-17,370	17,370	–	–	–	0
Director's fees paid	–	–	-1,000	–	–	–	–	-1,000
Drawing on capital funds and funds created from profit	–	–	–	–	3	–	-873	-870
Profit for 2004	–	–	707,025	–	–	–	–	707,025
Balance as at 31. 12. 2004	213,700	50,000	707,025	30,297	245,567	106,093	16,326	1,369,008

The shareholders' equity also includes the revaluation reserve from the over-valuation of assets of CZK 144,552,000 (2003: CZK -47,832,000). The total shareholders' equity is thus CZK 1,513,560,000 (2003: CZK 674,981,000).

Profit and Loss Account

as at 31 December 2004, in CZK '000 (unconsolidated)

PROFIT AND LOSS ACCOUNT	2004	2003
Interest earned and similar income	564,084	366,628
Of this: interest income from debt securities	527,533	348,212
Interest paid and similar income	204	–
Of this: interest paid on debt securities	–	–
Income from shares and ownership interests	46,311	13,526
Income from fees and commissions	1,168	572
Fees and commissions expenses	165,485	92,262
Net profit (loss) from financial transactions	457,431	137,132
Other operating income	12,018	4,402
Of this: income from non-financial placement of plan-holder's funds	2,202	1,111
Other operating expenses	4,645	5,214
Of this: expenses from non-financial placement of plan-holder's funds	1,483	1,111
Administrative expenses	179,067	118,568
Personnel expenses	76,881	48,648
Salaries and bonuses to statutory bodies	54,687	35,546
Social and health insurance	19,970	11,384
Other social costs	2,224	1,718
Other administrative expenses	102,186	69,920
Sales costs	34,927	21,548
Other expenses	67,259	48,372
Use of provisions and adjusting entries to tangible and intangible fixed assets	700	–
Use of provisions to tangible fixed assets	–	–
Use of adjusting entries to tangible fixed assets	700	–
Use of provisions and adjusting entries to intangible fixed assets	–	–
Of this: Use of provisions and adjusting entries to non-operating fixed assets	–	–
Write-offs, creating and using adjusting entries and provisions to tangible and intangible fixed assets	19,724	10,793
Depreciation of tangible fixed assets	13,975	7,997
Creation of provisions to tangible fixed assets	–	–
Creation of adjusting entries to tangible fixed assets	–	–
Depreciation of intangible fixed assets	5,749	2,796
Creating adjusting entries to intangible fixed assets	–	–
Of this: write-off, creating provisions and adjusting entries to non-operating fixed assets	–	–
Use of adjusting entries and provisions to receivables and guarantees, income from receivables previously written off	–	7
Use of provisions to receivables and guarantees	–	–
Use of adjusting entries to receivables and guarantees	–	–
Income from receivables previously written off	–	7
Write-offs, creating and using adjusting entries and provisions to receivables and guarantees	2,344	–
Creating adjusting entries to receivables and guarantees	2,344	–
Creating provisions to guarantees	–	–
Write-off of receivables and receivables from guarantees	–	–
Use of adjusting entries to participations in subsidiaries and associated companies	–	–
Loss from the transfer of participation in subsidiaries and associated companies, creating adjusting entries to participations in subsidiaries and associated companies	–	–
Use of other provisions	–	–
Creating other provisions	3,218	666
Share in profits or losses on participation in subsidiaries and associated companies	–	–
Profit (loss) for the current accounting period from ordinary activities before taxation	707,025	294,764
Extraordinary income	–	–
Extraordinary expenses	–	–
Profit (loss) for the current accounting period from extraordinary activities before taxation	–	–
Income tax	–	–
PROFIT (LOSS) FOR THE CURRENT ACCOUNTING PERIOD AFTER TAXATION	707,025	294,764

Notes to the Financial Statements

1. Characteristics and Core Business

Incorporation

Penzijní fond České pojišťovny, a.s. (the "company" or "PFČP"), was incorporated by its entry into the Commercial Register on 19 September 1994.

Objects of Business

- a) Collecting funds from supplementary insurance plan-holders (referred to as the "plan-holder") and the state, provided to plan-holders,
- b) Using the funds obtained pursuant to letter a),
- c) Paying supplementary pension insurance benefits,
- d) Other activities directly associated with supplementary pension insurance.

Structure of Shareholders

As at 31 December 2004 the company had a total of 11 shareholders. These are given in the following table.

Shareholders	Address	Company No.	Number of shares	Ownership interest (in %)
Česká pojišťovna a.s.	Spálená 75/16, Prague 1	45272956	194,742,752	91.1292
PROXY – FINANCE a.s.	Anežská 10, Prague 1	18623174	18,740,280	8.7695
Odborový svaz energetiků	nám. W. Churchilla 2, Prague 3	48136603	52,000	0.0243
PAKT spol. s r.o., bankrupt	Rožďalovice-Záměstí, okr. Nymburk	45149194	49,140	0.0230
SHAMBALA, a.s.	Týnská ulička 6/1064, Prague 1	49240617	42,588	0.0199
FEDERACE STROJIVÝDCŮ ČR	Hybernská 5, Prague 1	44265484	35,568	0.0166
SUDOP GROUP a.s.	Olšanská 1a, Prague 3	45310009	35,568	0.0166
Federace vlakových čt	Wilsonova 80, Prague 2	43001327	520	0.0002
Federace provoz. prac. žel. stanic	Wilsonova 80, Prague 2	43875262	520	0.0002
Unie železničních zaměstnanců	nábřeží L. Svobody 12, Prague 1	47606941	520	0.0002
Odborové sdružení železničářů	nám. W. Churchilla 2, Prague 3	00225479	104	0.0000
Total			213,699,560	100.0000

Registered Office

Penzijní fond České pojišťovny, a.s.
Truhlářská 1106/9
Prague 1
Czech Republic

Members of the Board of Directors and the Supervisory Board as at 31 December 2004, According to the Commercial Register:

Members of the Board of Directors:

Ivo Foltýn, MBA; Prague
Tomáš Matoušek, MBA; Prague
Tomáš Machanec, MBA; Prague
Petr Kopecký; Prague
Václav Šrajcr, MBA; Olomouc

Members of the Supervisory Board:

Darina Kocsisová, Ph.D.; Přerov n. Labem
Pavel Hlaváč; Bradlec-Kosmonosy
Marek Mastník, MBA; Lomnice n. Popelkou
Helena Lazosová; Prague
Petr Obst; Brno
Vít Šroller; Prague

Martin Vrba and Martin Brůha were co-opted as two new members of the Supervisory Board at its meeting of 1 December 2004, after their approval by the Ministry of Finance of the Czech Republic. This change had yet to be entered in the Commercial Register as at the balance date.

The Chairman of the Board or two members of the board (jointly) may act and sign independently on behalf of the company.

The Ministry of Finance, pursuant to Section 39 (3) of Act No. 42/1994 Coll., on state-contributory supplementary pension insurance and amending certain acts related to its introduction, as amended, and after reaching agreement with the Ministry of Labour and Social Affairs of the Czech Republic and the Securities Commission, approved the merger of Penzijní fond České pojišťovny, a.s., Company No. 61858692, registered office Truhlářská 1106/9, Post Code 110 00, Prague 1, and Nový ČP Penzijní fond, a.s., Company No. 60741775, registered office Olomoucká 1159/40, Post Code 618 00, Brno-Černovice, on 16 August 2004 under reference no. 327/24 086/2003. The legal successor of the merged pension funds became Penzijní fond České pojišťovny, a.s.

As part of this merger's approval the pension plan, statutes, and a list of members of the legal successor's bodies were also approved by the Ministry of Finance. This decision came into legal effect on 17 August 2004. This decision became effective on the day of its entry in the Commercial Register, i.e. 1 October 2004.

The start date, i.e. the merger's decisive date, is designated as 1 January 2004. All comparison data for the previous accounting period, i.e. as at 31 December 2003, only relate to values of Penzijní fond České pojišťovny, a.s. The values stipulated as at 1 January 2004 pertain to data from the initial balance sheet of the merged fund (i.e. the post-merger Penzijní fond České pojišťovny, a.s.).

Organisational Structure

The company is divided into the following divisions: sales and marketing, finance, client services, information technology and the Brno operations division. The Chairman of the company's Board of Directors is Ivo Foltýn, MBA.

Sales are arranged by external brokers and via the branches of Česká pojišťovna a.s.

The investment portfolio is managed by PPF Asset Management a.s. and BH Securities, a.s. The contact with ABN AMRO Asset management (Czech), a.s., the portfolio manager, was terminated in 2004.

The total number of supplementary pension insurance plan-holders was 770,640 as at 31 December 2004 (as at 31 December 2003: 463,948).

Živnostenská banka, a.s. provides depository services for the fund, pursuant to the contract concluded on 26 June 2003. Until 30 September 2004 these services had been provided by Československá obchodní banka, a.s. for Nový ČP Penzijní fond, a.s.

2. Fundamental Accounting Procedures Used by the Company

(a) Basis of Preparation of the Financial Statements

The financial statements were prepared on the basis of accounting records kept in accordance with the Accounting Act and the relevant regulations and decrees valid for the Czech Republic. The financial statements were compiled according to the principles of accruals, uninterrupted operation and posting using historical costs, with the exception of financial placements (investments), which are valued either at their real or accrued value.

All data is expressed in Czech crowns (CZK). The unit of measurement is CZK '000, unless otherwise stated.

(b) Accounting Policies

In keeping its accounts and compiling financial statements the company proceeded in accordance with Act No. 42/1994 Coll., on state-contributory supplementary pension insurance, as amended, the Czech Ministry of Finance Decree No. 501/2002 Coll., which implements certain provisions of Act No. 563/1991 Coll., on Accounting, as amended, for banks and other financial institutions (referred to as the "decree"), Czech accounting standards for accounting units which maintain their accounting records according to the decree and Act No. 189/2004 Coll., on Collective Investment.

The company's accounts are kept so as to ensure that the financial statements compiled on their basis gives a true and fair view of the object of the accounting and the financial position of the accounting unit.

(c) Securities and Ownership Interests

Government treasury notes, bonds and other debt securities and shares, including mutual fund certificates and other ownership interests are classified in accordance with the pension fund's intentions as "held to maturity", "held for trading" or "available for sale". Only debt securities can be classified in the portfolio "held to maturity".

The company values financial assets in accordance with the decree, which implements certain provisions of Act No. 563/1991 Coll., on Accounting, as amended, for banks and other financial institutions:

1. When first acquired, securities are stated at their acquisition cost, which includes transaction costs associated with acquiring them, i.e. fees and commissions paid to brokers, consultants, and stock exchanges. Transaction costs do not include interest on loans taken out for the acquisition of securities and ownership interests, otherwise also designated as financing costs, bonuses and discounts, internal administrative expenses or holding costs.
2. As at the balance date securities are readjusted to their real value. The exception is securities "held to maturity", which are readjusted to their amortized value. The amortized value is the acquisition cost continuously increased by the accrued interest, adjusted by the amortization of premiums or discounts and possibly reduced by adjusting items.
3. The fair value is based on the market price quoted on the Czech or foreign stock exchange or another public (organised) market.
4. If the market value cannot be determined, the fair value is determined as the adjusted value of the securities. The adjusted value of a security is equal to:
 - a) the participation interest in the company's shareholders' equity, for shares of the concern,
 - b) the participation interest in the mutual fund's capital, for mutual fund certificates,
 - c) the current value of the security, for bonds or bills of exchange.

If it is not possible to set the adjusted value with sufficient reliability, the company values the financial assets (investments) at their acquisition cost.

5. The Company reports differences in the overvaluation of securities available for sale, including foreign exchange differences and non-operating assets, within account 569 – “Gains (Losses) from the Revaluation of Assets”, as at the balance date. In the case of a permanent decrease in the security value, the company will write this off to the expense account.
6. The company values accrued interest on debt securities in the portfolio held to maturity by using the effective interest rate; other interest revenue is accounted for using a straight-line interest rate.
7. When sold securities are valued on the basis of a weighted arithmetic average.
8. Hedging derivatives, derivatives and embedded derivatives:

As at 31 December 2004 the company's portfolio includes derivatives for hedging against risks from securities denominated in the following currencies: PLN and USD. During the year the company also hedged against assets denominated in EUR, SKK and HUF.

Hedge accounting is used for accounting and reporting these derivatives in accordance with Section 70 of the Decree. The Company values hedging derivatives at fair value, changes in which are reported as valuation differences in the shareholders' equity in the same way as valuation differences from hedged financial instruments.

In certain cases the derivative may be part of an invested financial instrument, which includes both a host instrument, as well as a derivative (i.e. embedded derivative), which influences the cash flows or modifies, from another viewpoint, the characteristics of the host instrument. The embedded derivative is separated from the host instrument and is accounted for separately, assuming the following conditions are met:

- a) The economic characteristics and risks of the embedded derivative are not directly related to the economic characteristics and risks of the host instrument,
- b) A financial instrument with the same conditions as the embedded derivative as a separate instrument would meet the definition of a derivative,
- c) The host instrument is or is not re-valued to the fair value, but re-valuation changes remain on the balance sheet.

If the above conditions for the separation of the embedded derivative from the host instrument are met, but it is not possible to determine, with a sufficient degree of certainty, the fair value separately for the embedded derivative and the host instrument as at the date of acquisition or the balance date, the company reports and values these instruments together and reports the valuation differences in the same manner as for a portfolio for trading.

(d) Transaction Date

The transaction date when purchasing or selling securities is the date on which the trade is settled. If the trade has not been settled before the balance sheet date, the trade is recorded in the off-balance sheet accounts.

The transaction date is also the date of paying or collecting cash, the date of purchasing or selling foreign currency, or the value date according to a bank statement.

(e) Tangible and Intangible Fixed Assets

Tangible and intangible fixed assets are stated at acquisition cost. All fixed assets (with the exception of non-depreciated tangible fixed assets) are depreciated on a straight-line basis according to the Company's depreciation plan. The table below shows the depreciation periods for each asset class:

Assets	Depreciation period (in years)
Air-conditioning	15
Safes	15
Furniture	8
Machinery and equipment	4
Passenger vehicles	4
Fixed minor assets	3
Software	according to service life, up to 20 years

Goodwill arises on the sale of assets and is understood to mean the difference between the book value and the fair value of the net assets at the date of acquisition. Goodwill is depreciated over the duration of its service life.

(f) Taxes

Interest earned on term deposits, bonds, treasury notes and dividends is not included in the base used in calculating the company's income tax. Pension funds are permitted to offset the tax withheld on dividends against the overall tax liability.

Capital returns from the sale of securities and other income are included in the tax base (after deduction of related expenses) and taxed at 15%. Since its establishment the company has been accumulating tax losses, because the majority of its income is not included in the income tax base. The company does not expect to report a tax profit in the future, which is why it does not keep an account of deferred tax.

(g) Adjusting Entries

Creation of adjusting entries to receivables:

The company creates adjusting entries to doubtful debts on the basis of its own analysis of the payment ability of its customers.

If the value of these receivables is permanently reduced, the company writes them off. Bad debts written off are included in the item "Write-offs, creating and using adjusting entries and provisions to receivables and guarantees" in the Profit and Loss Account. The provisions and adjusting entries in this same account are also reduced by the same amount. Income from receivables previously written off is posted to the Profit and Loss Account in the item "Use of adjusting entries and provisions to receivables and guarantees, income from receivables previously written off".

The creation of adjusting entries is reported in the relevant item of the Profit and Loss Account; the use of adjusting entries is reported together with the costs or losses associated with the reduction in assets in the Profit and Loss Account.

(h) Provisions for Pensions

The pension fund creates provisions for liabilities arising from supplementary pension insurance contracts. The amount of these provisions is based on an extrapolation of historical data and the application of actuarial methods, i.e. the difference between the current value of pledged supplementary pension benefits and the funds recorded in favour of the pension recipients. No other provisions were created in 2004.

The creation of provisions is reported in the relevant item of the Profit and Loss Account; the use of a provision is reported together with the related costs or losses, which the provisions were created to cover, in the relevant item of the Profit and Loss Account.

Loss Recognition Test

The company creates provisions for liabilities arising from supplementary pension insurance contracts. The amount of the provisions is based on a loss recognition test carried out independently both for plan-holders in the saving phase and plan-holders in the pension phase. The effective options and guarantees attached to the pension insurance contracts are included.

The method for testing the sufficiency of a provision is the discounted cash flow model. Cash flows are understood to be plan-members' contributions, benefits paid out and the company's costs. The result of the loss recognition test is the realistic liability to participants based on the best estimate of future input parameters adjusted by risk and uncertainty margins. An inadequacy occurs when the realistic liability to participants exceeds the total of participants' funds. When the result of the test is an inadequacy, the Company creates a provision for the amount of the shortfall.

Pension Option

The value of the pension option is determined as the difference between the amount of the plan-holders' funds as at the date of the calculation and the present actuarial value of the funds needed to cover future liabilities. The future liabilities include the pension benefits, pension valorisations and the company's costs.

The pension option is calculated separately for the portfolio of participants in the saving phase and the portfolio of participants in the pension phase, using the same model (and thus also the same presumptions), by which the loss recognition test was performed.

(i) Foreign Currency Conversion

Transactions in a foreign currency are converted using the daily exchange rate of the Czech National Bank on the transaction date. During the year the company accounts for realised foreign exchange gains and losses in the Profit and Loss Account.

Assets and liabilities denominated in foreign currencies are converted using the official Czech National Bank exchange rate valid on the balance sheet date. At the balance sheet date foreign exchange gains or losses are recorded in the Profit and Loss Account in the item "Gains or losses from the revaluation of assets and liabilities".

(j) Inventories

Promotional material is posted directly to the consumption account, as it is used within three months of acquisition.

(k) Leases

The company reports leased assets by including leasing instalments in expenses in equal amounts throughout the entire lease period. On the termination of the lease period and the exercise of the purchase option, the leased item is included in the accounts at its purchase price.

(l) Accruals of Acquisition Costs

The company posts paid commissions and other direct acquisition costs to the deferred expenses account, accrued during the validity of the relevant supplementary pension insurance contract, for a period of not more than 15 years. As at the balance date the company

performs a test to determine the recovery of the acquisition cost accruals.

The commissions of Nový ČP Penzijní fond, a.s., paid by 31 December 2002 are charged to expenses on the basis of the average contract validity period derived from the average age of the plan-holders and the type of pension plan. Based on an analysis of the portfolio and after taking into account the likely contract cancellations, the average contract validity period was set at 10 years. If the contract is terminated earlier, the balance of the expenses for future periods is posted to expenses as a lump sum. An analysis to determine any termination of these contracts is carried out at least once a year as at 31 December.

(m) Items of Another Accounting Period and Changes in Accounting Procedures and Methods

Items from an accounting period other than that to which they belong as far as tax or accounting is concerned and changes in accounting methods are posted to the accounts as income or expenses in the Profit and Loss Account during the current accounting period, with the exception of corrections to fundamental errors in the posting of income and expenses of previous periods, which are reported in the "Retained profits or accumulated losses of previous years" in the company's Balance Sheet.

3. Financial Investments

(a) Securities Available for Sale

Securities available for sale	2004		2003	
	Accrued value	Fair value	Accrued value	Fair value
Listed on a recognised Czech exchange				
Shares	950,215	985,507	313,916	309,872
Government bonds	5,594,962	5,613,744	3,887,245	3,865,828
Other bonds	3,428,267	3,441,823	2,874,570	2,861,843
Listed elsewhere				
Treasury notes	1,788,229	1,788,229	299,966	299,966
Shares denominated in foreign currencies	68,744	67,596	–	–
Zero-coupon bonds denominated in CZK	500,009	514,410	–	–
Bonds denominated in CZK	3,370,616	3,403,020	–	–
Bonds denominated in foreign currencies	264,425	277,768	962,610	960,871
Zero-coupon bonds denominated in foreign currencies	816,134	844,323	–	–
Securities not listed on public stock exchanges				
Bank bonds	–	–	985,532	985,532
Total	16,781,601	16,936,420	9,323,839	9,283,912

The company is the holder of CIS Plus, a debt security. This is a zero-coupon bond, issued by Erste Bank and listed for trading on the Vienna Stock Exchange. The fair value of this investment instrument depends on the net asset value of foreign mutual hedge funds. The book value as at 31 December 2004 was CZK 514 million, with a maturity of 4.5 years.

The company also owns ECL, a debt security issued by European Credit Luxembourg, and 5YACN issued by Intesa Bank. Both securities are listed for trading on the Luxembourg Stock Exchange. For accounting – and pursuant to the issue condition – the yield on ECL is included in the interest earned by the company; its amount depends on the current development in the market price on the corporate bond market in Europe with a BBB investment grade rating. The book value as at 31 December 2004 is CZK 1,105 million. 5YACN is a coupon bond, the coupon yield of which is tied to the growth in the world's main stock indices. By analysing the available information, the company set this instrument's market value as at 31 December 2004 as 100 – 101% of its principal. However, given the impossibility of determining the fair value with sufficient reliability, the unrealised yield on holding this instrument is not reflected in the accounts. The book value as at the balance sheet date is CZK 500 million. Both these bonds mature in 2009.

(b) Securities Held to Maturity

Securities held to maturity	2004		2003	
	Accrued value	Market value	Accrued value	Market value
Listed on a recognised Czech exchange				
Government bonds	1,069,840	1,150,670	–	–
Other bonds	571,117	554,827	583,302	560,587
Zero-coupon bonds	1,012,766	1,136,182	–	–
Total	2,653,723	2,841,679	583,302	560,587

4. Revaluation of Securities and Assets

	31. 12. 2004
Gains from the revaluation of securities available for sale	146,965
Losses from the revaluation of securities available for sale	-5,264
Net valuation difference from the revaluation of securities available for sale	141,701
Valuation difference from the revaluation of hedging operations in USD	7,664
Currency revaluation of hedged assets in USD	-8,335
Valuation difference from the revaluation of hedging operations in PLN	-17,931
Currency revaluation of hedged assets in PLN	21,453
Valuation difference from the revaluation of hedging operations	2,851
Valuation difference from the revaluation of securities and assets as at 31. 12. 2004	144,552

	31. 12. 2003
Gains from the revaluation of securities available for sale	12,313
Losses from the revaluation of securities available for sale	-60,266
Net valuation difference from the revaluation of securities available for sale	-47,953
Valuation difference from the revaluation of hedging operations in EUR	-7,905
Currency revaluation of hedged assets in EUR	8,026
Valuation difference from the revaluation of hedging operations	121
Valuation difference from the revaluation of securities and assets as at 31. 12. 2003	-47,832

5. Summary of Income from Securities and Bank Accounts

	2004	2003
Realised profit/loss from the sale of securities	529,037	165,042
Realised profit/loss from operations with hedging derivatives	-57,912	-28,181
Dividends received	46,311	13,526
Interest received from debentures	508,089	346,711
Interest on treasury notes and bank accounts	55,791	19,917
Profit/loss on exchange differences	-21,847	37
Other	8,153	234
Total	1,067,622	517,286

6. Payables and Receivables to Supplementary Pension Plan-Holders

	Contributions from plan-holders	State contributions	Income from plan-holders' and state contributions	Liabilities arising from contributions to the supplementary pension insurance, total
Balance as at 31. 12. 2002	6,558,596	1,575,283	588,590	8,719,469
Balance as at 31. 12. 2003 PFČP	7,923,459	1,778,445	688,651	10,390,555
Balance as at 31. 12. 2003 NČPPF	4,152,284	873,864	366,723	5,392,871
Balance as at 1. 1. 2004	12,075,743	2,652,309	1,055,374	15,783,426
Received contributions	4,953,793	836,153	23,810	5,813,756
Allocated profit	–	–	436,167	436,167
Benefits paid	-1,385,767	-219,474	-181,535	-1,786,776
Returned contributions	-35,711	-50,960	–	-86,671
Transfer to profits	-294	–	-1,792	-2,086
Balance as at 31. 12. 2004	15,607,764	3,218,028	1,332,024	20,157,816

	2004	2003
Amount of benefits paid	1,786,776	1,540,461
Number of benefits paid	62,490	55,068

The balance sheet item "Unallocated plan-holders' contributions", of CZK 80,250,000 (in 2003: CZK 3,192,000) is liabilities to plan-holders accepted for identification, and it is part of the "Plan-holders' contributions" item. This item also includes prepared benefits for payment, of CZK 39,762,000 (2003: CZK 66,679,000), deducted from the current account in early January 2005. The unpaid state contribution for the fourth quarter of 2004, of CZK 220,542,000 (2003: CZK 122,071,000) is included in the overall amount of the item "State contributions".

The balance sheet item "Receivables against the state budget – state contribution" includes a receivable against the Ministry of Finance of the Czech Republic as at 31 December 2004 based on clients' claims for state contributions of CZK 220,542,000 (2003: CZK 122,071,000), payable in February 2005.

7. Hedging Derivatives

	Agreed amounts		Fair value	
	2004	2003	2004	2003
Hedging instruments				
Term foreign exchange operations (sale)	718,021	1,268,937	705,887	1,267,115
Total	718,021	1,268,937	705,887	1,267,115

Remaining Time to Maturity of Hedging Derivatives

The following data shows the allocation of the nominal values of individual types of hedging derivatives to their remaining times to maturity.

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Without specification	Total
As at 31. 12. 2004						
Hedging instruments						
Term foreign exchange operations (sale)	718,021	–	–	–	–	718,021

8. Shareholders' Equity

(a) Registered Capital

The company's registered basic share capital as at 31 December 2004 was CZK 213,700,000 (2003: CZK 210,000,000), comprising 213,699,560 registered shares with a nominal value of CZK 1.

(b) Accumulated Profit (Loss), Funds from Profit and Share Premium

The company had a share premium of CZK 50,000,000 in 2004 (2003: CZK 50,000,000).

In 2003 Nový ČP Penzijní fond, a.s. generated a profit of CZK 183,696,000, which was distributed on the basis of a decision of the General Meeting of 26 April 2004 as follows:

Allocation to plan-holders	CZK 156,141,000
Reserve fund	CZK 9,185,000
Payment of director's fees	CZK 1,000,000
Transfer to retained profits	CZK 17,370,000

The company generated a profit of CZK 294,764,000 in 2003, which was distributed according to a decision of the General Meeting of 7 June 2004 as follows:

Allocation to plan-holders	CZK 280,026,000
Reserve fund	CZK 14,738,000

The profit generated by the company in 2004 of CZK 707,025,000 will be distributed on the basis of a decision of the General Meeting.

(c) Reconciliation of Movements in Shareholders' Equity

Items of shareholders' equity for Nový ČP Penzijní fond, a.s. from the audited balance sheets as at 31 December 2003 of the merged companies transferred as at 1 January 2004 in the following form:

Shareholders' equity in NČPPF	Transfer to the legal successor	Amount in CZK '000
Registered capital	Capital contributions of shareholder	57,744
Other funds from profit	Capital contributions of shareholder	7
Capital contributions of shareholder	Capital contributions of shareholder	47,697
Other capital funds	Capital contributions of shareholder	932
Retained profits of previous years	Capital contributions of shareholder	271
	Capital contributions of shareholder – total	106,651
Registered capital	Registered capital	62,556
Statutory reserve funds	Statutory reserve funds	24,304
Gains or losses from the revaluation of assets and liabilities	Gains or losses from the revaluation of assets and liabilities	-24,918
Gains or losses from the revaluation of hedging derivatives	Gains or losses from the revaluation of hedging derivatives	1,491
Profit (loss) for the current year	Profit (loss) subject to approval proceedings	183,696
Total		353,780

By splitting the nominal value of the legal successor's shares and reducing the nominal value to CZK 71,973 the selected items of shareholders' equity were also transferred on the decisive date to the legal successor, namely:

Selected shareholders' equity items in PFČP	Transfer on the decisive date	Amount in CZK '000
Registered capital	Capital contributions of shareholder	58,857
Total		58,857

Shareholders' equity also includes the differences arising from the revaluation of assets of CZK 144,552,000 (2003: CZK -47,832,000). The total shareholders' equity value is therefore CZK 1,513,560,000 (2003: CZK 674,981,000).

9. Liabilities from the Payment of Pensions

Provision for Pensions

	Provision for pensions
Balance as at 31. 12. 2002	390
Balance as at 31. 12. 2003	592
Balance as at 1. 1. 2004	12,273
Creation of provisions	3,218
Drawing of provisions	-688
Balance as at 31. 12. 2004	14,803

The amount of the provision for pensions was determined by the methods described in Note 2 (h).

The result of the test on 31 December 2004 for the portfolio of existing pensioners was "inadequacy", which was why provisions of CZK 3,122,000 were created. For plan-holders in the savings phase the adequacy test of 31 December 2004 resulted in a finding of "adequacy" for plan-holders' accounts, and thus an additional reserve was not created.

The following significant economic and actuarial assumptions were employed in the test calculation of 31 December 2004:

- Model costs of the pension fund were derived from actual administrative, investment and operating costs. In projecting these costs forward we assumed a reduction in unit administrative costs due to economies of scale by 2013 and annual cost inflation of 2.5%.
- The risk-free market currency curve valid on 31 December 2004 was used in projecting future incomes and setting discount rates. In accordance with the existing procedure the model presumed that 85% of the annual profit would be credited to the plan-holders' accounts (minimum of 85% p.a.)
- Decrements used in modelling pension plan-holders:
 - The probability of death is based on the Czech Statistical Office 2003 population tables, modified to reflect the trend of improvements in the death rate.
 - The percentage of plan-holders selecting a pension instead of a lump sum settlement was set at 0.15%.

The probability of the departure of plan-holders (transfers to other pension fund or cancellations) is based on the company's experience so far. The projection assumes the status quo is maintained.

Pension Option

As at 31 December 2004 the value of the company's pension option for the plan-holders portfolio in the savings phase according to the risk-free market currency curve used in the calculation is between CZK -23,526,000 and +CZK 9,043,000. The company reports a provision of CZK 11,681,000 for future liabilities from the pension option.

10. Tangible and Intangible Fixed Assets

(a) Intangible Fixed Assets

	Adjusting entry	Software	Valuable rights	Advances paid	Total
Acquisition cost					
Balance as at 31. 12. 2002	0	14,613	950	2,695	18,258
Balance as at 31. 12. 2003	0	16,847	6,663	0	23,510
Balance as at 1. 1. 2004	853	41,913	12,963	0	55,729
Additions	–	827	206	–	1,033
Disposals	–	-6,522	–	–	-6,522
Transfers	–	-1,516	1,516	–	0
Balance as at 31. 12. 2004	853	34,702	14,685	0	50,240
Adjustments					
Balance as at 31. 12. 2002	0	-14,062	-198	-2,525	-16,785
Balance as at 31. 12. 2003	0	-14,909	-3,317	0	-18,226
Balance as at 1. 1. 2004	-356	-26,013	-9,617	0	-35,986
Depreciation	-56	-3,369	-2,324	–	-5,749
Disposals	–	6,497	–	–	6,497
Transfers	–	495	-495	–	0
Balance as at 31. 12. 2004	-412	-22,390	-12,436	0	-35,238
Net book value as at 31. 12. 2002	0	551	752	170	1,473
Net book value as at 31. 12. 2003	0	1,938	3,346	0	5,284
Net book value as at 31. 12. 2004	441	12,312	2,249	0	15,002

(b) Operating Tangible Fixed Assets

	Land	Buildings	Machinery and equipment	Transport equipment	Inventory and minor assets	Advances paid and acquisitions	Total
Acquisition cost							
Balance as at 31. 12. 2002	0	0	29,898	8,064	10,193	0	48,155
Balance as at 31. 12. 2003	0	0	44,904	9,575	10,971	0	65,450
Balance as at 1. 1. 2004	421	16,307	66,992	13,997	13,966	1,375	113,058
Additions	–	299	1,338	4,023	2,469	–	8,129
Disposals	–	–	-16,884	-6,321	-1,812	–	-25,017
Transfers	–	–	2,076	–	-701	-1,375	0
Balance as at 31. 12. 2004	421	16,606	53,522	11,699	13,922	0	96,170
Adjustments							
Balance as at 31. 12. 2002	0	0	-24,496	-4,291	-8,555	0	-37,342
Balance as at 31. 12. 2003	0	0	-30,375	-4,979	-9,406	–	-44,760
Balance as at 1. 1. 2004	0	-1,316	-40,076	-7,524	-11,034	-700	-60,650
Depreciation	–	-424	-9,341	-2,647	-1,140	–	-13,552
Disposals	–	–	15,306	5,255	1,462	700	22,723
Transfers	–	–	-254	–	254	–	0
Balance as at 31. 12. 2004	0	-1,740	-34,365	-4,916	-10,458	0	-51,479
Net book value as at 31. 12. 2002	0	0	5,402	3,773	1,638	0	10,813
Net book value as at 31. 12. 2003	0	0	14,529	4,596	1,565	0	20,690
Net book value as at 31. 12. 2004	421	14,866	19,157	6,783	3,464	0	44,691

All of the company's assets are classified in the category of operating assets. In the Profit and Loss Account CZK 13,975,000 is entered in the "Depreciation of fixed assets" item. The difference of CZK 423,000 is the net book value of assets depreciated on their liquidation.

(c) Fixed Tangible Assets Acquired by Financial Leasing

	Tangible assets not activated
Acquisition cost	
As at 1. 1. 2004	9,291
Additions	–
Other changes (increases due to changes in VAT Act)	53
Disposals	–
As at 31. 12. 2004	9,344
Adjustments and adjusting entries	
As at 1. 1. 2004 – lease payment made	-5,227
Additions – lease payment made in 2004	-2,351
Disposals	–
As at 31. 12. 2004	-7,578
Net book value	
As at 31. 12. 2003	4,064
As at 31. 12. 2004	1,766

Balances of tangible fixed assets acquired by a financial leasing contract are additions that would be reported in the company's accounts had International Accounting Standard No. 17 – Leasing been applied. According to current accounting procedures valid for banks and other financial institutions, an asset acquired by a financial leasing arrangement is not accounted for in the balance sheet until the time that the legal title to this asset passes to the company.

The company is obliged to pay leasing instalments for the financial leasing of hardware and software:

	Paid in 2004	Due within 1 year	Due in 1 to 5 years	Due after 5 years	Total due
Hardware	2,351	1,766	0	0	1,766

(d) Operative Leasing

The company has concluded an operative leasing contract under which it uses two passenger vehicles. The total annual costs for 2004 were CZK 371,000.

11. Payables and Liabilities

In 2004 the company posted trade receivables of CZK 6,067,000 (2003: CZK 8,081,000). Of this, long-term receivables of CZK 1,054,000 (in 2003: CZK 2,624,000) are a receivable against the lessor of the building, S.O.R.T. Praha, v.o.s. This receivable is reduced annually by the increase in rent, which is amortised under the contract.

The receivables against non-banking entities account records receivables ensuing from bankruptcy proceedings against the companies ZPS Zlín and Přerovské strojírny of CZK 10,370,000, for which a 100% adjusting entry had already been created in past accounting periods.

The receivables against the state budget of CZK 9,179,000 (2003: CZK 58,064,000) include the paid-up withholding tax on the dividend and international securities, as mentioned in Note 2 (f).

Receivables from trading with securities of CZK 28,724,000 (2003: CZK 21,539,000) consist of receivables against mature coupons on debt securities, which were paid during January 2005.

As at 31 December 2004 the company reported trade payables of CZK 19,771,000 (2003: CZK 13,453,000). All payables are prior to the maturity date.

	Adjusting entries to advances for intangible fixed assets	Adjusting entries to receivables	Total
Balance as at 31. 12. 2002	2,525	25	2,550
Balance as at 31. 12. 2003	0	10,388	10,388
Balance as at 1. 1. 2004	700	10,595	11,295
Creation	–	2,344	2,344
Drawing	-700	–	-700
Balance as at 31. 12. 2004	0	12,939	12,939

12. Accruals and Deferrals

The company reports active prepayments and accrued income of CZK 429,143,000 (2003: CZK 207,748,000), of this CZK 424,230,000 (2003: CZK 197,186,000) is accrued acquisition costs and CZK 4,913,000 (2003: CZK 10,562,000) other prepaid assets.

The Estimated payables and other liabilities item of the Balance Sheet encompass Estimated liabilities of CZK 3,326,000 (2003: CZK 100,000), which are bonuses for the second half of the year paid for salaries for January 2005 and part of the liabilities for commissions to companies for the organisation of collective payments. Other liabilities are then represented by a non-realised loss on the revaluation of currency derivatives for a fair value of CZK 13,402,000 (2003: CZK 1,822,000).

13. Inter-Company Transactions

The trade receivables and payables described in Note 11. also include the following balances for the company's transactions with enterprises within the group:

	Income	Expenses	Receivables	Payables
2004				
Česká pojišťovna a.s.	9,149	1,797	2,823	993
eBanka, a.s.	–	1,463	–	113
ČP Leasing, a.s.	10,918	392	–	–
Home Credit Finance a.s.	39,998	–	–	–
PPF Asset Management a.s.	182	34,144	2,284	1,700
ČP DIRECT, a.s.	–	4	–	–
PPF banka a.s.	2,305	516	–	647
ČP PARTNER, a.s.	–	1,335	–	–
Temposervis, a.s.	–	35	–	2
InWay, a.s.	–	128	–	21
2003				
Česká pojišťovna a.s.	14,263	1,127	6,279	905
eBanka, a.s.	–	962	–	104
ČP Leasing, a.s.	15,249	14	–	9
Home Credit Finance a.s.	23,246	–	–	–
PPF Asset Management a.s.	–	6,780	–	123
ČP DIRECT, a.s.	–	1	–	–

Furthermore, the company holds the following bonds issued by enterprises within the group:

ISIN	Issuer	Quantity	Fair value, in CZK '000
CZ0003700569	Česká pojišťovna a.s.	140	138,406
CZ0003501306	Home Credit Finance a.s.	1,000	1,007,998

14. Income Tax Due and Deferred Tax Liability/Receivable

(a) Income Tax Due

	2004	2003
Profit or loss for the year before tax	707,025	294,764
Income exempt from tax	-469,876	-352,566
Non-deductible tax expenses	35,282	29,945
Applied tax exemptions and set-offs	–	–
Deduction of accumulated tax losses from previous years	272,431	–
Sub-total	0	-27,857
Income tax calculated using the 15% tax rate	0	0

(b) Deferred Tax Liability/Receivable

The company's management presumes that the level of the company's current and future taxable profits will not be sufficient to realise the calculated deferred tax receivable, and therefore the company does not report this in its financial statements as at 31 December 2004.

15. Income and Expenses from Fees and Commissions

	2004	2003
Commissions to supplementary pension insurance brokers	105,934*	59,238
Security market fees, Security Centre fees and bank fees	11,863	5,108
Fees to portfolio managers	47,688**	27,916
Total expenses from fees and commissions	165,485	92,262
Income from fees and commissions	1,168	572
Total income from fees and commissions	1,168	572

* Increase in commission due to excessive growth in the value of the portfolio of contracts under management.

** Increase in fees due to the excessive growth in the portfolio entrusted to the portfolio managers.

16. Personnel Expenses

2004*	Average number of employees	Payroll expenses and bonuses	Social and health insurance	Social expenses
Employees and managers	112	52,099	19,970	2,224
Members of the Board and Supervisory Board	24	2,588	–	–
Total	112**	54,687	19,970	2,224

2003	Average number of employees	Payroll expenses and bonuses	Social and health insurance	Social expenses
Employees and managers	85	33,915	11,384	1,718
Members of the Board and Supervisory Board	17	1,631	–	–
Total	85**	35,546	11,384	1,718

* The higher average number of employees is due to the merging of Nový ČP Penzijní fond, a.s. The number of employees gradually declined during the merger. As of June 2005 the number of employees, including managers, members of the Board and Supervisory Board, will be comparable to the state prior to the merger, taking into account the growth in the portfolio of contracts under management. The average number of members of statutory bodies in 2004 is higher, as the average number was influenced by the merger with Nový ČP Penzijní fond, a.s., i.e. the period of this company's operation prior to the entry of the merger in the Commercial Register.

** The total includes only employees and managers. Some members of the statutory bodies are also employees of the company.

17. Other Administrative Expenses

As at 31 December 2004 other administrative expenses was CZK 102,186,000 (2003: CZK 69,920,000).

	2004*	2003
Postage and telecommunication charges	22,161	15,539
Material for clients	22,634	11,051
Promotion and advertising	10,951	10,353
Lease, including financial and operative leasing	13,789	11,882
Staff training	1,802	1,997
Equipment maintenance and software support	8,042	6,832
Audit, legal services and inspection activities rendered by the depository	8,368	3,012
Other administrative expenses	14,439	9,254
Total administrative expenses	102,186	69,920

* The amount of the expenses for 2004 is calculated jointly for Penzijní fond České pojišťovny, a.s., and Nový ČP Penzijní fond, a.s. Further savings from economies of scale due to the merger of 2004 will be realised in 2005.

18. Other Operating Income and Expenses, Extraordinary Income and Expenses

	Expenses	Income	Balance
Lease of real estate, including services	1,483	2,202	719
Insurance	353	392	39
Divestment of tangible assets	2,482	3,612	1,130
Plan-holder contributions	199	5,804	5,605
Pensions	-3	–	3
Others	131	8	-123
Other operating costs and income – total	4,645	12,018	7,373

19. Post-Balance Date Events

There have been no significant post balance date events which would materially affect these financial statements.

20. Financial Instruments – Market Risk

The company is exposed to market risks arising from the open positions of transactions with interest rates, equity and currency instruments which are sensitive to changes on the financial markets.

(a) Risk Management

The investment strategy of the company is based on achieving market appreciation of invested funds, whilst minimizing the market risks of the investment portfolio. The basic instruments for risk management are limits on the proportion of individual types of financial instruments in the company's portfolio under Act No. 42/1994 Coll., on state-contributory supplementary pension insurance, and the investment strategy of the company, which is stipulated in accordance with the law.

(b) Liquidity Risk

Liquidity risk includes the risk that the company is unable to finance its assets using instruments with appropriate maturity and the risk that the company is unable to dispose of its assets for the appropriate price within the required time period.

On the liabilities side, the company reports contributions received from plan-holders, the state and third parties for the benefit of plan-holders. The company's shareholders' equity is a minority source of financing. It is impossible to determine a residual maturity for liabilities from retirement income insurance contributions, owing to the character of the product and the possibility of plan-holders claiming the payment of benefits at any time after the claim becomes effective, or the payment of a surrender value after the contract has been in force for 12 months. The company reported CZK 5,066,286,000 (2003: CZK 2,584,674,000) on these liability accounts on behalf of plan-holders who were entitled to a pension benefit but have yet to apply for payment.

The company regularly evaluates its liquidity risk, in particular by monitoring changes in the structure of incoming and outgoing plan-holders' contributions. It is a part of the Company's liquidity risk management strategy to hold a portion of its assets in highly liquid funds, such as government treasury notes and similar bonds.

Residual maturity of the company's assets and liabilities

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Without specification	Total
As at 31. 12. 2004						
Cash in hand	35	–	–	–	–	35
Deposits at banks	1,397,807	–	–	–	–	1,397,807
Government zero-coupon bonds	996,612	791,617	–	–	–	1,788,229
Other zero-coupon bonds	–	–	1,353,366	503,724	–	1,857,090
Debt securities – state	629,035	1,955,625	2,823,819	1,275,105	–	6,683,584
Debt securities – other	103,525	1,439,499	5,709,640	955,473	–	8,208,137
Shares and mutual fund certificates	–	–	–	–	1,053,103	1,053,103
Other assets	252,822	13,093	–	–	488,836	754,751
Total	3,379,836	4,199,834	9,886,825	2,734,302	1,541,939	21,742,736
Payables from supplementary pension insurance contributions	39,763	–	–	–	20,118,053	20,157,816
Other liabilities	53,426	14,803	–	–	3,131	71,360
Total	93,189	14,803	–	–	20,121,184	20,229,176
Difference	3,286,647	4,185,031	9,886,825	2,734,302	-18,579,245	1,513,560
Cumulative difference	3,286,647	7,471,678	17,358,503	20,092,805	1,513,560	1,513,560

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Without specification	Total
As at 31. 12. 2003						
Cash in hand	18	–	–	–	–	18
Deposits at banks	781,862	–	–	–	–	781,862
Government zero-coupon bonds	299,966	–	–	–	–	299,966
Other zero-coupon bonds	–	985,532	–	–	–	985,532
Debt securities – state	–	668,617	3,197,211	–	–	3,865,828
Debt securities – other	–	708,224	2,479,746	1,218,046	–	4,406,016
Shares and mutual fund certificates	–	–	–	–	309,872	309,872
Other assets	144,767	61,238	1,301	–	238,336	445,642
Total	1,226,613	2,423,611	5,678,258	1,218,046	548,208	11,094,736
Payables from supplementary pension insurance contributions	66,679	–	–	–	10,323,876	10,390,555
Other liabilities	24,914	592	–	–	3,694	29,200
Total	91,593	592	0	0	10,327,570	10,419,755
Difference	1,135,020	2,423,019	5,678,258	1,218,046	-9,779,362	674,981
Cumulative difference	1,135,020	3,558,039	9,236,297	10,454,343	674,981	674,981

(c) Interest Rate Risk

The company's liabilities are not subject to a fixed interest rate, with the exception of liabilities associated with life-time pensions already paid out. Thus, the interest rate risk to which the company is exposed is not significant.

Interest rate risk on the company's assets

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Without specification	Total
As at 31. 12. 2004						
Cash in hand	35	–	–	–	–	35
Deposits at banks	1,397,807	–	–	–	–	1,397,807
Government zero-coupon bonds	996,612	791,617	–	–	–	1,788,229
Other zero-coupon bonds	–	–	1,353,366	503,724	–	1,857,090
Debt securities – state	629,035	1,955,625	2,823,819	1,275,105	–	6,683,584
Debt securities – other	453,525	5,522,885	1,675,437	556,290	–	8,208,137
Shares and mutual fund certificates	–	–	–	–	1,053,103	1,053,103
Other assets	252,822	13,093	–	–	488,836	754,751
Total	3,729,836	8,283,220	5,852,622	2,335,119	1,541,939	21,742,736

(d) Equity Risk

Equity risk is the risk of a movement in the prices of equity instruments held in the company's portfolio and the financial derivatives derived from these instruments. The risks associated with equity instruments are managed through trading limits. The methods used to manage these risks are described in the section entitled "Risk management" (Note 21 (a)).

(e) Currency Risk

Assets and liabilities denominated in foreign currencies, including off-balance sheet exposures, represent the company's exposure to currency risks. Both realized and unrealised foreign exchange gains and losses are reported directly in the Profit and Loss Account; unrealized exchange rate gains and losses are part of the "Gains or losses from the revaluation of assets and liabilities" item, and unrealized exchange rate gains and losses on hedged assets are part of the item called "Gains or losses from the revaluation of hedging derivatives". The Company's foreign currency position is as follows:

The company's foreign currency position

	CZK	USD	SKK	PLN	EUR	Total
As at 31. 12. 2004						
Cash in hand	35	–	–	–	–	35
Government zero-coupon bonds	8,471,813	–	–	–	–	8,471,813
Receivables against banks	1,115,641	133	281,487	-9	555	1,397,807
Debt securities	8,943,136	–	446,300	675,791	–	10,065,227
Shares, mutual fund certificates and other ownership interests	985,507	67,596	–	–	–	1,053,103
Other assets	325,266	342	–	–	–	325,608
Prepayments and accrued income	429,143	–	–	–	–	429,143
Total	20,270,541	68,071	727,787	675,782	555	21,742,736
Plan-holders' funds	20,157,816	–	–	–	–	20,157,816
Other liabilities	67,887	342	–	–	–	68,229
Accruals and deferrals	3,131	–	–	–	–	3,131
Shareholders' equity	1,513,560	–	–	–	–	1,513,560
Total	21,742,394	342	–	–	–	21,742,736
Long positions on off-balance sheet instruments	–	–	–	–	–	–
Short positions on off-balance sheet instruments	–	63,623	–	654,398	–	718,021
Total	–	63,623	–	654,398	–	718,021

	EUR	CZK	Total
As at 31. 12. 2003			
Cash in hand	–	18	18
Government zero-coupon bonds	–	299,966	299,966
Receivables against banks	14	781,848	781,862
Debt securities	960,871	8,296,505	9,257,376
Shares, mutual fund certificates and other ownership interests	–	309,872	309,872
Other assets	–	237,894	237,894
Prepayments and accrued income	–	207,748	207,748
Total	960,885	10,133,851	11,094,736
Plan-holders' funds	–	10,390,555	10,390,555
Other liabilities	–	25,506	25,506
Accruals and deferrals	–	3,694	3,694
Shareholders' equity	–	674,981	674,981
Total	–	11,094,736	11,094,736
Long positions on off-balance sheet instruments	–	–	–
Short positions on off-balance sheet instruments	1,582,042	–	1,582,042
Total	1,582,042	–	1,582,042

Report on Relations between Related Entities

The company Penzijní fond České pojišťovny, a.s., registered office Truhlářská 1106/9, Post Code 110 00, Prague 1, Czech Republic, Company No. 61858692 (hereinafter referred to as the "Company"), is obliged to compile a "Report on Relations between Related Entities" for the 2004 fiscal year pursuant to Section 66a (9) of Act No. 513/1991 Coll., the Commercial Code, as amended.

The Company and PPF Asset Management a.s., registered office Na Pankráci 121/1658, Post Code 140 21, Prague 4, Company No. 25629123, concluded:

- The Management Contract dated 1 February 2004, Amendment No. 1 dated 30 April 2004, Amendment No. 2 dated 1 September 2004, and Amendment No. 3 dated 1 October 2004, on the basis of which the Company's portfolio was managed, for a consideration, from February 2004,
- The Management Contract dated 29 March 2004, on the basis of which the portfolio of Nový ČP Penzijní fond, a.s., the legal successor of which is the Company, was managed, for a consideration, from February to September 2004. This contract was terminated on 30 September 2004.

The following contract was terminated:

- The Portfolio Management and Administration Contract dated 1 September 2003, on the basis of which the Company's portfolio was managed in January 2004.

The Company and ČP Leasing, a.s., registered office náměstí Hrdinů 1534, Post Code 140 61, Prague 4, Company No. 25139886, concluded:

- Individual Leasing Contract No. 50040041 dated 26 April 2004, on the basis of which the Company leased a passenger vehicle, for a consideration, under an operative leasing arrangement,
- Individual Leasing Contract No. 50040042 dated 26 April 2004, on the basis of which the Company leased a passenger vehicle, for a consideration, under an operative leasing arrangement,
- Purchase Contract No. 50040041 dated 26 April 2004, on the basis of which the Company purchased a passenger vehicle for a consideration,
- Purchase Contract No. 50040042 dated 26 April 2004, on the basis of which the Company purchased a passenger vehicle for a consideration.

The Company and PPF a.s., registered office Na Pankráci 1658, Post Code 140 21, Prague 4, Company No. 25099345, concluded:

- The Contract on the Provision of Services dated 21 April 2004, on the basis of which the Company received legal and business consulting for a consideration.

The Company and Česká pojišťovna a.s., registered office Spálená 75/16, Post Code 113 04, Prague 1, Company No. 45272956, concluded:

- The Contract on the Lease of Non-Residential Premises dated 23 August 2004, on the basis of which the Company leased, for a consideration, non-residential premises in Horní 73, Ostrava-Dubina,
- The Contract, dated 17 September 2004, on keeping the leased non-residential premises at Horní 73, Ostrava-Dubina, clean for a consideration,
- The Contract on the Lease of Non-Residential Premises dated 6 December 2004, on the basis of which the Company leased, for a consideration, non-residential premises in Plzeň, Slovanská alej 24A,
- The Contract on the Lease of Non-Residential Premises dated 17 September 2004, on the basis of which the Company leased, for a consideration, non-residential premises in Zlín, Záramí 4421,
- The Contract on the Lease of Non-Residential Premises dated 1 December 2003 – effective from 5 January 2004 – on the basis of which the Company leased, for a consideration, non-residential premises in Žatec, Obránců míru 2767,
- Contract on Processing Personal Data ČP D/1450-7/2004 dated 1 July 2004, including Amendment No. 1 dated 29 September 2004, which regulate the mutual rights and obligations of the contracting parties when processing personal data,
- The Purchase Contract dated 29 November 2004, on the basis of which the Company sold, for a consideration, five passenger vehicles.

The following contracts were terminated:

- The Contract on the Lease of Non-Residential Premises in Plzeň, Slovanská alej 24A, dated 26 January 1999,
- The Contract on the Lease of Non-Residential Premises dated 29 May 2000, on the basis of which the Company leased non-residential premises in Zlín, Záramí 4421, terminated by an agreement of 17 September 2004,
- The Contract on the Lease of Non-Residential Premises dated 17 September 2004, on the basis of which the Company leased non-residential premises in Zlín, Záramí 4421, terminated by an agreement of 19 November 2004,
- The Contract on the Lease of Non-Residential Premises dated 23 May 1997, on the basis of which the Company leased, for a consideration, non-residential premises in České Budějovice, Pražská 1280, by a termination notice served on 1 October 2004.

The Company and ČP PARTNER, a.s., registered office Kaplanova 2252/8, Post Code 148 00, Prague 4, Company No. 25670344, concluded:

- An agreement on amending the content of the obligation ensuing from the Sales Representation Contract of 19 August 1998, concluded on 25 October 2004.

The Company and PPF banka a.s., registered office Na Strži 1702/65, Post Code 140 62, Prague 4, Company No. 47116129, concluded:

- The Sub-Lease Contract and Sub-Licensing Contract dated 9 August 2004, on the basis of which the Company used, for a consideration, equipment and a licence for the operation of the Bloomberg information system.

The Company and EURONEWS, a.s., registered office Holečkova 103, Post Code 150 00, Prague 5, Company No. 25690272, concluded:

- The Master Contract for Deliveries of Goods and Services dated 19 January 2004, on the basis of which the Company subscribes to Euro, a business weekly, for a consideration.

Between the Company and eBanka, a.s., registered office Na Příkopě 19, Post Code 117 19, Prague 1, Company No. 00562246, the following was provided:

- A financial consideration on the basis of the Cash Settlement Services Agreement dated 28 February 2003.

All of the above contracts were concluded under the usual conditions for business relations (at arms length), and all work rendered and received pursuant to these contracts was also rendered under the usual conditions for business relations, and the Company did not suffer any damage from these contracts.

The Company did not take or accept any measures or legal acts during the 2004 fiscal year in the interest or at the urging of related entities. The statutory body of the Company declares that it compiled this report with due professional care and that the information contained in this report is accurate and complete.

Prague, 10 February 2005



Ivo Foltýn, MBA

Chairman of the Board of Directors and Chief Executive Officer

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