

Annual Report  
2 0 0 5

**Pioneer Asset Management, a.s.**

## Contents

<i>Introduction by the Chairman of the Board of Director</i> .....	<b>3</b>
<i>Pioneer Asset Management, a.s.</i> .....	<b>4</b>
<i>Members of the Board of Directors and Supervisory Board</i> .....	<b>5</b>
<i>Financial Section</i> .....	<b>6</b>

## Introduction by the Chairman of the Board of Directors

While for Pioneer Asset Management, a.s. the year 2004 was characterised by restructuring and reorganisation, the following year was a time for consolidation of the changes made. The results confirmed our forecast that the company is prepared for business expansion. The trajectory of business activities during 2005 was for growth.

In terms of the relationship to the networks of financial advisors we have concentrated on collaborating with selected individuals with a promising future. This cooperation has fully paid off.

We have worked systematically with the retail and private banking branches of Živnostenská banka, a.s. and we have jointly succeeded in effectively systematising this cooperation. We have increased the volume of information support and have accurately targeted motivational support. These endeavours have also brought positive results.

In 2005 we acquired new clients, and we played an important role in the creation of a structured and protected bond with a guaranteed coupon, developed in cooperation with Lehman Brothers. This product led to the acquisition of clients, informal decision makers from the HNWI Group, whose references, we believe, will be of considerable assistance in increasing awareness of the product.

The year 2006 will be a time to focus on the development of effective techniques for acquiring new clients and capital for management.



Roman Pospíšil

## Pioneer Asset Management, a.s.

Pioneer Asset Management, a.s. is a legal entity, a joint-stock company, established in accordance with the law of the Czech Republic, which was founded with a record being made in the Commercial Register held by the Municipal Court in Prague on 31 July 1998, file no. B 5483 (section B, file entry 5483).

Pioneer Asset Management, a. s. has its registered office at Prague 8, Karolinská 650/1, postal code 186 00.

The subject of business activity is the provision of main investment services in accordance with section 4 paragraphs 2 and 3 of Act 256/2004 Coll., the Capital Market Undertaking Act.

Company no.: 25 68 45 58  
Tax ID No.: CZ25684558

### **The company auditor:**

KPMG Česká republika Audit, s.r.o.  
Registered office at Prague 8, Pobřežní 1a,  
postal code 186 00  
Recorded in the Commercial Register held by the  
Municipal Court in Prague, section C, file entry 24185  
Represented by Pavel Závitkovský, proctor with  
independent procuration certificate number 69  
Company no.: 49 61 91 87  
Tax ID No.: CZ49619187

### **The sole company shareholder:**

Pioneer Global Asset Management S.p.A., with  
registered office at Galleria San Carlo, 6, Milan 20122,  
Italy, a member of the UniCredito Italiano banking group.

### **Board of Directors (as at 31 December 2005)**

Roman Pospíšil	chairman
Leoš Bartoň	member
František Vencel	member

### **Supervisory Board (as at 31 December 2005)**

Daniel Keith Kingsbury	chairman
Luigi Trombetta	member
Angus Stening	member

### **Changes to the Board of Directors**

There were no changes to the Board of Directors during 2005.

### **Changes to the Supervisory Board**

On 17 February 2005 the sole shareholder took due note of the resignation of Mr. Pdraig Kenny from the post of member of the Supervisory Board and elected Mr. Angus Stening to be member of the Supervisory Board.

## **Other important facts**

Under the terms of a resolution passed by the sole shareholder acting in the capacity of the General Meeting, a decision was taken on 17 February 2005 to amend the company's Articles of Association, including, inter alia, a change to the corporate name of the

company from ŽB - Asset Management, a.s. to Pioneer Asset Management, a.s. The change to the company's corporate name was recorded in the Commercial Register on 1 July 2005.

# Members of the Board of Directors and Supervisory Board as at 31 December 2005

## Board of Directors

Roman Pospíšil	chairman
Leoš Bartoň	member
František Vencí	member

### **Roman Pospíšil – chairman**

Mr. Pospíšil holds a degree from the Pedagogical Faculty in České Budějovice in mathematics and physics and from the Graduate School of Banking Colorado, and has completed courses with Barclays Bank. He remains the CEO of Pioneer investiční společnost, a.s. and Pioneer Asset Management, a.s. He is a vice-chairman of the Board of the Association of Funds and Asset Management of the Czech Republic.

### **Leoš Bartoň – member**

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 Burzovní společnost as a chief dealer. Currently he is a portfolio manager at the company.

### **František Vencí – member**

Mr. Vencí 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

Daniel Keith Kingsbury	chairman
Luigi Trombetta	member
Angus Stening	member

The Supervisory Board comprised Mr. Daniel Keith Kingsbury, Mr. Luigi Trombetta and Mr. Pdraig Kenny. On 17 February 2005 Mr. Pdraig Kenny resigned. In accordance with the Articles of Association, the Supervisory Board discussed the resignation and his office was terminated on 17 February 2005. On 17 February 2005 the sole shareholder appointed the following new member of the Supervisory Board: Mr. Angus Stening.

### **Daniel Keith Kingsbury – chairman**

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, and Russia). In the Pioneer Investments Group Mr. 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.

### **Luigi Trombetta – member**

Mr. Luigi Trombetta graduated from 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 the 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.

### **Angus Stening - member**

Angus Stening holds the position of vice-president of the Pioneer Investments New Europe Division and executive director for Central and Eastern Europe. Mr. Stening has been working for the Pioneer Investments/UniCredito group since 1999. In his previous position of executive director for operations and information technology he was responsible for the operations and strategic development of the European operations of the Pioneer Investments group.

## Financial Section

### Contents

<i>Pioneer Asset Management, a.s.</i> .....	<b>7</b>
<i>Report on Relations</i> .....	<b>23</b>

**BALANCE SHEET AS AT 31 DECEMBER 2005**

<b>Assets:</b>	<b>31 December 2005</b>	<b>31 December 2004</b>
	<b>CZK'000</b>	<b>CZK'000</b>
Cash	47	52
Receivables from banks	51,558	53,614
Intangible fixed assets	6,771	6,643
Tangible fixed assets	9,781	9,626
Other assets	33,274	25,431
Prepayments and accrued income	4,117	1,877
<b>Total assets</b>	<b>105,548</b>	<b>97,243</b>

<b>Liabilities:</b>	<b>31 December 2005</b>	<b>31 December 2004</b>
	<b>CZK'000</b>	<b>CZK'000</b>
<b>Payables to clients</b>	<b>18,960</b>	<b>30,812</b>
of which: repayable on demand	18,960	30,812
<b>Other liabilities</b>	<b>28,589</b>	<b>22,829</b>
<b>Accruals and deferred income</b>	<b>0</b>	<b>0</b>
<b>Registered capital</b>	<b>27,000</b>	<b>27,000</b>
of which: registered capital paid	27,000	27,000
<b>Reserve funds and other funds from profit</b>	<b>1,687</b>	<b>482</b>
<b>Retained earnings (accumulated loss) of previous years</b>	<b>14,915</b>	<b>- 7,962</b>
<b>Profit / loss for the accounting period</b>	<b>14,397</b>	<b>24,082</b>
<b>Total liabilities</b>	<b>105,548</b>	<b>97,243</b>

**OFF-BALANCE SHEET AS AT 31 DECEMBER 2005**

<b>Off-balance sheet liabilities:</b>	<b>31 December 2005</b>	<b>31 December 2004</b>
	<b>CZK'000</b>	<b>CZK'000</b>
<b>Values received under management</b>	<b>1,373,855</b>	<b>1,208,225</b>
<b>Total off-balance sheet liabilities</b>	<b>1,373,855</b>	<b>1,208,225</b>

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005**

	2005 CZK'000	2004 CZK'000
<b>Interest income and similar income</b>	<b>212</b>	<b>29</b>
<b>Fee and commission income</b>	<b>116,853</b>	<b>115,559</b>
<b>Fee and commission expense</b>	<b>- 3,365</b>	<b>- 3,675</b>
<b>Net loss from financial operations</b>	<b>- 852</b>	<b>- 571</b>
<b>Other operating income</b>	<b>670</b>	<b>1,209</b>
<b>Other operating expenses</b>	<b>- 2,694</b>	<b>- 2,052</b>
<b>Administrative expenses</b>	<b>- 82,065</b>	<b>- 79,778</b>
of which a) costs of employees	- 36,177	- 45,028
of which: aa) wages and fees	- 27,198	- 33,563
ab) social and health insurance	- 8,979	- 11,465
b) other administrative costs	- 45,888	- 34,750
<b>Write-offs, creation and use of reserves and provisions to tangible and intangible fixed assets</b>	<b>- 5,818</b>	<b>- 5,438</b>
<b>Profit (loss) from ordinary activities before taxes</b>	<b>22,941</b>	<b>25,283</b>
<b>Income tax</b>	<b>- 8,544</b>	<b>- 1,201</b>
<b>Profit (loss) for the accounting period</b>	<b>14,397</b>	<b>24,082</b>

## STATEMENT OF CHANGES IN EQUITY

	Registered capital CZK'000	Reserve funds CZK'000	Social fund CZK'000	Retained earnings (accumulated loss) CZK'000	Profit / loss CZK'000	Total CZK'000
<b>Balance at 1 January 2004</b>	<b>27,000</b>	<b>482</b>	<b>0</b>	<b>- 2,932</b>	<b>- 5,030</b>	<b>19,520</b>
Loss for the accounting period	0	0	0	0	24,082	24,082
Transfer to accumulated losses	0	0	0	- 5,030	5,030	0
Use of funds	0	0	0	0	0	0
Transfer to retained earnings	0	0	0	0	0	0
<b>Balance at 1 January 2005</b>	<b>27,000</b>	<b>482</b>	<b>0</b>	<b>- 7,962</b>	<b>24,082</b>	<b>43,602</b>
Profit for the accounting period	0	0	0	0	14,397	14,397
Transfer to accumulated losses	0	0	0	7,962	- 7,962	0
Transfer to retained earnings	0	0	0	14,915	- 14,915	0
Transfer to reserve fund	0	1,205	0	0	- 1,205	0
<b>Balance at 31 December 2005</b>	<b>27,000</b>	<b>1,687</b>	<b>0</b>	<b>14,915</b>	<b>14,397</b>	<b>57,999</b>

## 1 GENERAL INFORMATION

Pioneer Asset Management, a.s. (the "Company") was established on 3 July 1998 by Živnostenská Finance BV and entered in the Commercial Register on 31 July 1998 under the name ŽB-Asset Management, a.s. During 1998, Živnostenská banka, a.s., purchased the participating interest and became 100 % shareholder.

Since 30 December 2003, the parent company is Pioneer Global Asset Management, S.p.A. („PGAM“), which bought the entire participation interest from Živnostenská banka, a.s. On 1 July 2005 the Company changed its name to Pioneer Asset Management a.s. As at 31 December 2005, the ultimate parent company of the group is UniCredito Italiano S.p.A.

The Company's primary business is securities trading consisting of:

**a) provision of principal investment services within the scope of:**

- receiving and forwarding instructions concerning investment instruments for client's accounts;
- carrying out instructions concerning investment instruments for a third-party accounts;
- trading in investment instruments for own account;
- managing individual portfolio at own discretion under a contract with the customer if an investment instrument is a part of the portfolio.

**b) Provision of supplementary investment services consisting of:**

- safekeeping and management of one or several investment instruments;
- consultancy concerning the capital structure, industrial strategies and related matters, as well as advice and services concerning corporate mergers and acquisitions;
- consultancy concerning investments in investment instruments.

Pursuant to the decision of the Securities Commission ref. no. 43/M/140/2003/1 dated 31 October 2003, which came into legal force on 6 November 2003, the Company has been granted a license to provide principal investment services and to provide supplementary investment services.

### Statutory body as at 31 December 2005 – Board of Directors:

<b>Chairman of the Board:</b>	Roman Pospíšil	appointed to office: 29 December 2003
<b>Member of the Board:</b>	Leoš Bartoň	appointed to office: 29 December 2003
<b>Member of the Board:</b>	František Vencel	appointed to office: 16 September 2002

### Supervisory Board as at 31 December 2005:

<b>Chairman of the Board:</b>	Daniel Keith Kingsbury	appointed to office: 5 March 2004
<b>Member of the Board:</b>	Angus Stening	appointed to office: 17 February 2005
<b>Member of the Board:</b>	Luigi Trombetta	appointed to office: 5 March 2004

## 2 ACCOUNTING POLICIES

**(a) Basis of preparation**

The financial statements, including the balance sheet, profit and loss account, statement of changes in equity, and accompanying notes, are prepared in compliance with Act on Accounting and Decree of the Ministry of Finance of the Czech Republic (the "MF CR") No. 501/2002 Coll., 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 all securities held for trading and for sale to their fair values.

Amounts in the financial statements are rounded to thousands Czech crowns (CZK 000), unless stated otherwise.

These financial statements are non-consolidated.

**(b) Transaction date**

Depending on the type of transaction, the transaction date is defined as the date of payment or collection of cash; the date of purchasing or selling of foreign currency or securities; the date of payment, or collection from the clients account, the date of bank's

notice, the date of account statement, or other documents, the trade date and settlement date of transactions with securities, foreign currency, the date of taking assets into custody.

**(c) Foreign currencies**

Financial assets and liabilities denominated in foreign currencies are translated to Czech crowns at the exchange rate published by the Czech National bank (the “CNB”) as of the balance sheet day. All foreign exchange gains and losses are recognised in the net gain or loss from financial operations.

**(d) Interest income and expense**

Interest income and expense from all the interest-bearing instruments are recognised on an amortised basis using the effective yield method based on the actual purchase price. The straight-line method is used as an approximation of the effective yield method for securities valued at fair value.

**(e) Fee and commission income**

One-off fees from granting loans, guarantees and other activities are recognised immediately, while commissions are accrued for the whole period until maturity.

**(f) Receivables and provisions**

Receivables are recognised at nominal value less provision for impairment. Irrecoverable debts are written off when bankruptcy proceedings of the debtor are completed.

**(g) Tangible and intangible fixed assets**

Tangible and intangible assets are valued at acquisition price and are depreciated using the straight-line method over their estimated useful lives. The depreciable lives are determined as follows:

	<b>Years</b>
Machinery and equipment	max. 4
Furniture and fixtures	5
Motor vehicles	4
Software	2 – 10

Repairs and maintenance costs of tangible assets are expensed as incurred. The costs of technical improvements are capitalized and depreciated.

Since 1 January 2004, tangible fixed assets with a cost not exceeding CZK 40 thousand and intangible fixed assets with a cost not exceeding CZK 60 thousand are not reflected in the balance sheet and are expensed in the year of acquisition.

**(h) Value added tax**

The company has been registered for value added tax (“VAT”).

**(i) Deferred tax**

Deferred tax is calculated using the rate applicable for the period of its expected realisation. 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. Deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which this asset can be off-set.

**(j) Costs of employees, pension contributory insurance and other social expenses**

Costs of employees are a part of administrative expenses, and they include bonuses to members of the Board of Directors and Supervisory Board. The Company contributes to its employees for pension contributory insurance. These contributions to pension contributory insurance are expensed as incurred.

**(k) Related parties**

Related parties are defined as follows:

- members of the Board of Directors, Supervisory Board and senior management of the Company and their relatives;
- companies with 10% shareholding or greater of the Company’s Board members and senior management;
- shareholders controlling the Company and companies controlled by them.

Material transactions, outstanding balances and pricing policies with related parties are disclosed in Note 17.

**(l) Assets received under management**

Since 1 January 2003, the clients' assets received under management have been reported as balance sheet items in clients' bank accounts divided according to individual currencies and also in payables to clients.

Clients' securities received under management are reported in the off-balance sheet.

**(m) Subsequent events**

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

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

**(n) Extraordinary income and expenses and changes in accounting policies**

Extraordinary income and expenses include one-off impacts of events not related to the Company's primary business, and effects of changes in accounting policies.

### 3 RECEIVABLES FROM BANKS

	31 December 2005 CZK'000	31 December 2004 CZK'000
Current accounts with banks	32,598	22,802
Clients' current accounts	18,960	30 812
	<b>51,558</b>	<b>53,614</b>

All receivables are before maturity, and are not secured.

### 4 TANGIBLE AND INTANGIBLE FIXED ASSETS

	31 December 2004 CZK'000	Additions CZK'000	Disposals CZK'000	31 December 2005 CZK'000
<b>Acquisition cost</b>				
Software	12,603	2,907	4,130	11,380
Machinery and equipment	16,891	4,349	5,021	16,219
	<b>29,494</b>	<b>7,256</b>	<b>9,151</b>	<b>27,599</b>
<b>Accumulated depreciation</b>				
Software	5,960	2,597	3,948	4,609
Machinery and equipment	7,265	3,221	4,048	6,438
	<b>13,225</b>	<b>5,818</b>	<b>7,996</b>	<b>11,047</b>
<b>Net book value</b>	<b>16,269</b>			<b>16,552</b>

The Company uses no assets acquired in the form of financial leasing.

## 5 OTHER ASSETS

	<b>31 December 2005</b>	<b>31 December 2004</b>
	<b>CZK'000</b>	<b>CZK'000</b>
Operating advances granted	4,149	3,792
Due from state budget	692	2,255
Trade receivables	28,418	19,384
Other receivables	15	0
	<b>33,274</b>	<b>25,431</b>

All receivables are before maturity, and are not secured.

The increase in trade receivables is due to the change of the scope of activities in 2005.

## 6 PREPAYMENTS AND ACCRUED INCOME

	<b>31 December 2005</b>	<b>31 December 2004</b>
	<b>CZK'000</b>	<b>CZK'000</b>
Accrued income – consulting	4,055	1,877
Prepayments	62	0
	<b>4,117</b>	<b>1,877</b>

Increase in accrued income for 2005 is due to the change of the scope of the Company's activities.

## 7 OTHER LIABILITIES

	<b>31 December 2005</b>	<b>31 December 2004</b>
	<b>CZK'000</b>	<b>CZK'000</b>
Trade payables	4,916	3,760
Current tax liability	5,518	1,903
Payables to employees	74	2,106
Payables to social security institutions	31	1,400
Advances received	1,219	1,280
Estimated payables	16,831	12,380
	<b>28,589</b>	<b>22,829</b>

The increase in estimated payables in 2005 is due to the change of wage accounting policies. Wages for the last month of the year have been estimated based on November wages, and are recorded in contingencies together with the contingency for employees' bonuses and costs of subtenancy services.

## 8 EQUITY AND PROFIT DISTRIBUTION

### Registered capital

	31 December 2005 CZK'000	31 December 2004 CZK'000
<b>Subscribed and fully paid capital</b>	<b>27,000</b>	<b>27,000</b>

The registered capital consists of 54 shares with the nominal value CZK 500 thousand.

The Company is obliged to create a reserve fund from profit in the amount of 5% of net profit per year until it reaches 20% of its basic capital. The reserve fund can be used only to offset losses.

### Profit distribution

The Board of Directors proposes the following distribution of the net profit in the amount of CZK 14,397 thousand:

Allocation to reserve fund	720 CZK'000
Allocation to retained earnings of previous periods	13,677 CZK'000
	<b>14,397 CZK'000</b>

The transfer of profit for 2004 is shown in the statement of changes in equity.

## 9 INTEREST INCOME AND SIMILAR INCOME

	2005 CZK'000	2004 CZK'000
Interest on current deposits	212	12
Interest on term deposits	0	17
	<b>212</b>	<b>29</b>

## 10 FEE AND COMMISSION INCOME

	2005 CZK'000	2004 CZK'000
Consulting	24,179	19,364
Portfolio management	8,428	8,971
Fee for unit distribution	0	1,487
Fee from deposits	0	9
Dealers' commissions	0	0
Fees for transaction processing	24,659	13,206
Financial services	59,564	72,516
Other	23	6
	<b>116,853</b>	<b>115,559</b>

## 11 FEE AND COMMISSION EXPENSE

	<b>2005</b>	<b>2004</b>
	<b>CZK'000</b>	<b>CZK'000</b>
Bank fees	277	160
Management fees	1,021	1,510
Dealers' commissions	2,063	2,005
Other	4	0
	<b>3,365</b>	<b>3,675</b>

## 12 NET PROFIT FROM FINANCIAL OPERATIONS

	<b>2005</b>	<b>2004</b>
	<b>CZK'000</b>	<b>CZK'000</b>
FX losses	- 1,433	- 775
FX gains	581	204
	<b>- 852</b>	<b>- 571</b>

## 13 OTHER OPERATING INCOME

	<b>2005</b>	<b>2004</b>
	<b>CZK'000</b>	<b>CZK'000</b>
Income from sales of tangibles and intangibles	670	512
Income from rent	0	655
Other income from ordinary activities	0	42
	<b>670</b>	<b>1,209</b>

## 14 OTHER OPERATING EXPENSES

	<b>2005</b>	<b>2004</b>
	<b>CZK'000</b>	<b>CZK'000</b>
Net book value of disposed assets	1,155	578
Other	1,539	1,474
	<b>2,694</b>	<b>2,052</b>

## 15 ADMINISTRATIVE EXPENSES

	<b>2005</b>	<b>2004</b>
	<b>CZK'000</b>	<b>CZK'000</b>
Wage costs	36,177	45,028
Other administrative expenses	45,888	34,750
	<b>82,065</b>	<b>79,778</b>

The average number of employees, executives and the members of the Supervisory Board and received bonuses were as follows:

	<b>2005</b>	<b>2004</b>
Average number of management members	5	5
Average number of other employees	29	35
Number of the Supervisory Board members	3	3

**Wage costs**

	<b>2005</b> <b>CZK'000</b>	<b>2004</b> <b>CZK'000</b>
Company management	4,801	6,841
Other employees	22,397	26,677
Bonuses to the Supervisory Board members	0	45

<b>Total wage costs</b>	<b>27,198</b>	<b>33,563</b>
-------------------------	---------------	---------------

Social and health insurance	8,979	11,465
-----------------------------	-------	--------

<b>Total personnel costs</b>	<b>36,177</b>	<b>45,028</b>
------------------------------	---------------	---------------

Company management comprises three members of the Board of Directors and two members of management.

Other administrative costs can be analysed as follows:

	<b>2005</b> <b>CZK'000</b>	<b>2004</b> <b>CZK'000</b>
Travel expenses	1,681	1,447
Material and energy consumption	1,817	1,903
Repre expenses	5,329	4,305
Marketing and advertising	15,976	12,913
Rent and related services	2,260	3,710
Telephones	1,191	810
Audit, tax, advisory and legal services	7,621	1,468
IT services	3,738	3,867
Other services	6,275	4,327
	<b>45,888</b>	<b>34,750</b>

## 16 INCOME TAX

### Current income tax

	2005 CZK'000	2004 CZK'000
Profit/loss before taxation	22,941	25,283
Permanent differences between profit and tax base:		
Non-taxable income	- 98	0
Tax base increases	3,289	6,874
Tax base	26,132	32 157
Tax shield applied	0	- 27,867
Tax base	26,132	4,290
<b>Income tax of 26% / 28%</b>	<b>6,794</b>	<b>1,201</b>
Correction of income tax for 2004	1,381	0
<b>Total income tax</b>	<b>8,175</b>	<b>1,201</b>

### Deferred tax

The Company recorded a deferred tax liability in 2005, the deferred tax asset of CZK 361 thousand in 2004 was not recorded, as it was not beyond reasonable doubt that future taxable profit will be available against which the unused tax asset can be utilised.

	31 December 2005 CZK'000	31 December 2004 CZK'000
<b>Deferred tax liability</b>		
Depreciation	909	175
	<b>909</b>	<b>175</b>
<b>Deferred tax asset</b>		
Social and health insurance from bonuses	540	537
	<b>540</b>	<b>537</b>
<b>Net contingent deferred tax liability /asset</b>	<b>369</b>	<b>361</b>

## 17 TRANSACTIONS WITH RELATED PARTIES

### Transactions with related parties in PGAM Group:

	31 December 2005 CZK'000	31 December 2004 CZK'000
<b>Receivables</b>		
Trade receivables	23,991	10,983
	<b>23,991</b>	<b>10,983</b>
<b>Liabilities</b>		
Trade payables	3,992	2,331
Contingencies loss	163	226
	<b>4,155</b>	<b>2,557</b>
<b>Expenses</b>		
Consulting	6,590	0
Other	142	250
	<b>6,732</b>	<b>250</b>
<b>Income</b>		
Investment consulting	24,179	19,364
Commissions for intermediary services	59,564	72,517
Other services	0	2,175
	<b>83,743</b>	<b>94,056</b>

The Company bought ARBES CRM software from Pioneer investiční společnost, a.s., for the net book value of CZK 344 thousand. All transactions with related parties in PGAM group were realised in the ordinary course of business, or at cost element and reasonable profit level for supplies which were not realised in the ordinary course of business.

### Transactions with related parties in UniCredito Group:

The Company paid to Živnostenská banka, a.s., commissions for intermediary services under the terms and conditions stipulated in the contract concluded on 31 March 2003.

Živnostenská banka, a.s., provided the Company with depository and custody services (custody, depositing and management of securities, settlement of trades with securities and related services) under the Depository agreement.

Živnostenská banka maintained current and term accounts in CZK and EUR for the Company. The Company had interest accrued on these accounts, and paid to Živnostenská banka, a.s., fees for maintaining these accounts under the Agreement on current account maintenance.

All transactions with the related parties in the UniCredito Group were realised in the ordinary course of business, or at cost element and reasonable profit level for supplies which were not realised in the ordinary course of business.

## 18 ASSETS RECEIVED UNDER MANAGEMENT

Assets received under administration and management represent securities purchased at clients' account in the amount of CZK 1,373,855 thousand (in 2004 in the amount of CZK 1,208,255 thousand).

## 19 FINANCIAL RISKS

### (a) Credit risk

As at 31 December 2005, the Company owned also assets denominated in euro and Slovak crowns; in 2004 only domestic assets; available funds are deposited in accounts of renowned banks.

### (b) Currency risk

Financial assets and liabilities owned by the Company as at 31 December 2005 was recorded in Czech crowns, euros, dollars and Slovak crowns, in 2004 they were denominated in Czech crowns.

#### 31 December 2005

	EUR CZK'000	USD CZK'000	SKK CZK'000	CZK CZK'000	Total CZK'000
Receivables from banks	18,745	2,618	96	30,099	51,558

### (c) Interest rate risk

The Company's financial position and cash flows are exposed to the risk of fluctuation of current levels of interest rates. As a result of these fluctuations, interest income and expense can rise and fall and create losses in case of unexpected movements.

The table below summarises the Company's exposure to interest rate risk. Included in the table are the Company's financial assets and liabilities at carrying amounts, categorised by the earlier of settlement, contractual reprising or maturity tables.

#### 31 December 2005

	Within 3 months CZK'000	3 – 12 months CZK'000	Non-interest bearing CZK'000	Total CZK'000
<b>Assets</b>				
Cash	0	0	47	47
Receivables from banks	32,598	0	18,960	51,558
Other assets	0	0	53,943	53,943
	<b>32,598</b>	<b>0</b>	<b>72,950</b>	<b>105,548</b>
<b>Liabilities</b>				
Payables to clients	0	0	- 18,960	- 18,960
Other liabilities	0	0	- 28,589	- 28,589
	<b>0</b>	<b>0</b>	<b>- 47,549</b>	<b>- 47,549</b>
<b>Net assets</b>	<b>32,598</b>	<b>0</b>	<b>25,401</b>	<b>57,999</b>

**31 December 2004**

<b>Assets</b>	<b>Within</b>	<b>3 – 12 months</b>	<b>Non-interest</b>	<b>Total</b>
	<b>3 months</b>	<b>3 – 12 months</b>	<b>bearing</b>	
	<b>CZK'000</b>	<b>CZK'000</b>	<b>CZK'000</b>	<b>CZK'000</b>
Cash	0	0	52	52
Receivables from banks	22,802	0	30,812	53,614
Other assets	0	1,204	42,373	43,577
	<b>22,802</b>	<b>1,204</b>	<b>73,237</b>	<b>97,243</b>

  

<b>Liabilities</b>	<b>Within</b>	<b>3 – 12 months</b>	<b>Non-interest</b>	<b>Total</b>
	<b>3 months</b>	<b>3 – 12 months</b>	<b>bearing</b>	
	<b>CZK'000</b>	<b>CZK'000</b>	<b>CZK'000</b>	<b>CZK'000</b>
Payables to clients	0	0	- 30,812	- 30,812
Other liabilities	0	0	- 22,829	- 22,829
	<b>0</b>	<b>0</b>	<b>- 53,641</b>	<b>- 53,641</b>

  

<b>Net assets</b>	<b>22,802</b>	<b>1,204</b>	<b>19,596</b>	<b>43,602</b>
-------------------	---------------	--------------	---------------	---------------

**(d) Liquidity risk**

The table below analyses assets and liabilities of the Company into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

**31 December 2005**

<b>Assets</b>	<b>Within</b>	<b>3 – 12 months</b>	<b>Not</b>	<b>Total</b>
	<b>3 months</b>	<b>3 – 12 months</b>	<b>specified</b>	
	<b>CZK'000</b>	<b>CZK'000</b>	<b>CZK'000</b>	<b>CZK'000</b>
Cash	47	0	0	47
Receivables from banks	32,598	0	18,960	51,558
Other assets	37,391	0	16,552	53,943
	<b>70,036</b>	<b>0</b>	<b>35,512</b>	<b>105,548</b>

  

<b>Liabilities</b>	<b>Within</b>	<b>3 – 12 months</b>	<b>Not</b>	<b>Total</b>
	<b>3 months</b>	<b>3 – 12 months</b>	<b>specified</b>	
	<b>CZK'000</b>	<b>CZK'000</b>	<b>CZK'000</b>	<b>CZK'000</b>
Payables to clients	0	0	- 18,960	- 18,960
Other liabilities	- 28,221	0	- 368	- 28,589
	<b>- 28,221</b>	<b>0</b>	<b>- 19,328</b>	<b>- 47,549</b>

  

<b>Net assets</b>	<b>41,815</b>	<b>0</b>	<b>16,184</b>	<b>57,999</b>
-------------------	---------------	----------	---------------	---------------

Clients' funds are shown in the Not specified column.

**31 December 2004**

	<b>Within 3 months CZK'000</b>	<b>3 – 12 months CZK'000</b>	<b>Not specified CZK'000</b>	<b>Total CZK'000</b>
<b>Assets</b>				
Cash	52	0	0	52
Receivables 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>				
Payables to clients	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>

## 20 SUBSEQUENT EVENTS

The Company management believes that there were no subsequent events having a significant impact on the financial statements prepared as of 31 December 2005.

These financial statements have been approved by the Board of Directors of the Company to be presented at the General Meeting and signed upon the authorisation of the Board of Directors.

**Date of preparation** 28 February 2006

**Signature of the Company Statutory Representative**



Roman Pospíšil



František Vencel

## Report on Relations between Related Parties as at 31 December 2005

In accordance with the appropriate provisions of Act 513/1991 Coll., the Commercial Code, as amended, Pioneer Asset Management, a.s. (the “company”) is part of a concern and has the status of a controlled party. Given that no contract to control the company has been concluded with the company, the company’s Board of Directors is obliged to compile a written report on relations between the controlling and the controlled parties, 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 2005 (the “decisive period”).

The company’s Board of Directors declares that all the important transactions with related parties which took place during the decisive period are contained in this report.

Related parties

### Sole company shareholder – controlling party

The sole shareholder of Pioneer 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

Pioneer 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 Roman Pospíšil, chairman of the Board of Directors, and František Vencl, member of the Board of Directors.

### Organisational structure of the concern

Until 30.12.2003 Pioneer Asset Management, a.s. was directly controlled by 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 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 UniCredito Italiano S.p.A., with registered office at Via Dante 1, 16121 Janov, Italy (“UniCredito Italiano S.p.A.”).

Since 30.12.2003 Pioneer Asset Management, a.s. has been directly controlled by Pioneer Global Asset Management S.p.A., with registered office at Galleria San Carlo 6, Milan 20122, 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 operational procedures and territorial consolidation within the framework of the UniCredito Italiano Banking Group under one assets structure, i.e. 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 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 2005.

### Other important facts

Under the terms of a resolution passed by the sole shareholder acting in the capacity of the General Meeting, on 17.2.2005 decision was taken on an amendment to the company’s Articles of Association, involving, inter alia, a change to the corporate name of the company from ŽB-Asset Management, a.s. to Pioneer Asset Management, a.s. The change to the corporate name of the company was recorded in the Commercial Register on 1.7.2005.

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

- 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 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 investiční společnost”);
- Živnostenská banka, a.s., with registered office at Prague 1, Na Příkopě 858/20, postal code 113 80, company no.00001368, recorded in the Commercial Register held by the Municipal Court in Prague, section B, file entry 1350 (“Živnobanka”);
- 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 Pioneer Asset Management, a.s. and related parties during the accounts period 2005:**

**1.1** The following contracts were concluded between Pioneer Asset Management, a.s. and companies of the Pioneer Investments Group (i.e. with the companies Pioneer česká finanční společnost, s.r.o., Pioneer investiční společnost, a.s., Pioneer Global Investments Limited, and Pioneer Investment Management Limited) during the accounts period 2005:

Title of contract	Contracting party (parties)	Subject of contract	Date concluded
Customer and Dealer Services Agreement	Pioneer Global Investments Limited	PAM provides PGIL services related to the sale of the Irish fund Pioneer America	<b>1. 1. 2005</b>
Agreement on Services Provided	Pioneer česká finanční společnost, s.r.o.	PCFC provides services to ŽBAM as specified in the contract (financial controls, information technology, etc.)	<b>1. 1. 2005</b>
On the provision of a replacement workplace	Pioneer česká investiční společnost, a.s., Pioneer česká finanční společnost, s.r.o. and Živnostenská banka, a.s.	Živnostenská banka will provide replacement premises if needed	<b>3. 1. 2005</b>
Framework Cooperation Agreement	ŽB-Asset Management, a.s., Pioneer česká finanční společnost, s.r.o. and a third party	Conditions of consultancy and other services in the sphere of human resources	<b>11. 4. 2005</b>
On support and maintenance of the ARBES UNIT TRUST information system	Pioneer česká investiční společnost, a.s. and a third party	Support and maintenance of the ARBES UNIT TRUST information system	<b>1. 5. 2005</b>
Investment Advisory Services Agreement	Pioneer Investments Management Limited	Pioneer Asset Management, a.s. provides services and manages a portfolio	<b>15. 8. 2005</b>
On the transfer of a licence to the ARBES CRM information system	Pioneer investiční společnost, a.s. and a third party	Conditions of concluding a licence agreement	<b>1. 9. 2005</b>
For work	Pioneer investiční společnost, a.s.	A psychological survey entitled: Analysis of Relationships and the Quality of Company Management	<b>8. 9. 2005</b>
For work	Pioneer investiční společnost, a.s. and a third party	Psychological consultation entitled: Diagnostics of the potential for personal development	<b>8. 9. 2005</b>

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

<b>Title of contract</b>	<b>Contracting party (parties)</b>	<b>Subject of contract</b>	<b>Date concluded</b>
On the leasing of non-residential premises	UniBanka, a.s.	The leasing of non-residential premises	<b>26. 1. 2005</b>
Framework management agreement	UniBanka, a.s.	Pioneer Asset Management provides UniBanka, a.s. the management service stipulated by the contract	<b>15. 7. 2005</b>
On the leasing of non-residential premises	UniBanka, a.s. and a third party	The conditions of leasing non-residential premises	<b>30. 9. 2005</b>
Annex 1 to the Agreement on the Mediation of Management Contracts	Živnostenská banka, a.s.	Annex to the Agreement on the Mediation of Management Contracts	<b>1. 4. 2005</b>
Annex 2 to the Agreement on the Mediation of Management Contracts	Živnostenská banka, a.s.	Annex to the Agreement on the Mediation of Management Contracts	<b>1. 7. 2005</b>
On the provision of a replacement workplace	Pioneer česká finanční společnost, s.r.o., ŽB-Asset Management, a.s. and Živnostenská banka, a.s.	Živnostenská banka will provide replacement premises if needed	<b>3. 1. 2005</b>

**2.** The performances rendered during the accounts period 2005 by Pioneer Asset Management, a.s. in respect of related parties, and the consideration provided therefor:

The performances rendered during the accounts period 2005 by Pioneer Asset Management, a.s. in respect of related parties and the considerations provided therefor are specified under point 17 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 2005 by Pioneer Asset Management, a.s. in the interest of the related parties:

The Board of Directors of Pioneer Asset Management, a.s. declares that no other legal transactions were undertaken by Pioneer Asset Management, a.s. during the accounts period 2005 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 Pioneer 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 Pioneer Asset Management, a.s.

**4.** Other measures which were undertaken during the accounts period 2005 in the interest of or at the instigation of related parties by Pioneer Asset Management, a.s., and their advantages and disadvantages:

The Board of Directors of Pioneer Asset Management, a.s. declares that Pioneer Asset Management, a.s. undertook no measures during the accounts period 2005 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 Pioneer Asset Management, a.s.

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

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

The auditor's opinion of this Report on Relations between Related Parties is given as part of the auditor's statement regarding the company's Annual Report 2005.

**Date of preparation:** 27 March 2006



Roman Pospíšil  
Chairman of the Board of Directors



František Vencel  
Member of the Board of Directors



KPMG Česká republika Audit, s.r.o.  
Pobřežní 648/1a  
186 00 Praha 8  
Česká republika

Telephone +420 222 123 111  
Fax +420 222 123 100  
Internet www.kpmg.cz

This document is an English translation of the Czech auditor's report.  
Only the Czech version of the report is legally binding.

## Auditor's report to the shareholders of Pioneer Asset Management, a.s.

On the basis of our audit, on 28 February 2006 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 Pioneer Asset Management, a.s. for the year 2005 ended 31 December 2005. 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 International Standards on Auditing and the relevant guidance 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 the Company's 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 Pioneer Asset Management, a.s. as of 31 December 2005 and the results of its operations for the year 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  
18 April 2006

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

  
Pavel Závitkovský  
Licence number 69

**Pioneer Asset Management, a.s.**

Karolinská 650/1  
186 00 Praha 8

Tel: +420 296 354 111

Fax: +420 296 354 100

Toll free: 800 313 663

E-mail: [info@pioneerinvest.cz](mailto:info@pioneerinvest.cz)

[www.pioneerinvestments.cz](http://www.pioneerinvestments.cz)