

2004 Annual Report

Investiční společnost České spořitelny, a. s.



As of December 31, 2004, Investiční společnost České spořitelny, a. s. managed the following twelve open-end mutual funds:

____ **Investiční společnost České spořitelny, a. s., Sporinvest – otevřený podílový fond**, an open-end mutual growth fund, book-entered. The biggest open-end mutual fund in the Czech Republic. It invests primarily in money market instruments and medium-term bonds. The fund was launched on July 1, 1996. On November 12, 2003 the fund merged with the open-end mutual fund Merkur, which due to the merger ceased to exist. At the same day, the shareholders of the extinct fund Merkur became shareholders of the taking-over fund Sporinvest.

____ **Investiční společnost České spořitelny, a. s., Sporobond – otevřený podílový fond**, an open-end mutual growth fund, book-entered. It invests primarily into government and corporate bonds and in money market instruments focused on the Czech Republic and on the Central European region. The fund was launched on March 31, 1996. On December 28, 1999, it was merged with the open-end mutual fund Rentinvest.

____ **Investiční společnost České spořitelny, a. s., Trendbond – otevřený podílový fond**, an open-end mutual growth fund, book entered. It invests primarily into government bonds issued in currencies of the new member states of the European Union. The fund was launched on October 29, 2001.

____ **Investiční společnost České spořitelny, a. s. ČS korporátní dluhopisový otevřený podílový fond**, an open-end mutual growth fund, book-entered. It invests primarily into corporate bonds in the Central European and Eastern European regions. The fund was launched on April 1, 2004.

____ **Investiční společnost České spořitelny, a. s., Bondinvest – otevřený podílový fond**, an open-end mutual revenue fund, unit certificates in documentary form, unregistered. A bond fund investing primarily into bonds of Czech issuers; the share of foreign securities in the assets is, however, not limited. The fund was launched on December 14, 1994.

____ **Investiční společnost České spořitelny, a. s., Sporotrend – otevřený podílový fond**, an open-end mutual growth fund, book entered. An equity fund, focused on the Eastern European region, mainly on the stock markets of the new European Union member states. Further, also unit certificates of open-end mutual funds and securities issued by foreign entities with the same investment goals are bought into the portfolio. The fund was launched on March 31, 1998. On December 28, 1999, the fund was merged with the open-end funds Čechoinvest and Moravoinvest.

____ **Investiční společnost České spořitelny, a. s., Eurotrend – otevřený podílový fond**, an open-end mutual growth fund, book entered. An equity fund, focused on markets of the Western European region and on the most important European companies. The investor risk is reduced by spreading of investments into shares of issuers from the base of the index DJ STOXX 50. The fund was launched on September 1, 2000.

____ **Investiční společnost České spořitelny, a. s., Globaltrend FF – otevřený podílový fond**, an open-end mutual growth fund, book entered. Fund's assets are invested in unit certificates of foreign funds investing in shares in an international scope. This strategy enables sufficient investment spreading in a broad global scope. The fund was launched on September 1, 2000.

____ **Investiční společnost České spořitelny, a. s., Sporomix 5 – otevřený podílový fond**, an open-end mutual growth fund, book entered. Up to 65% of the fund's assets may be invested in shares, securities of equity funds and unit certificates of equity open-end mutual funds. The fund was launched on August 28, 2000.

____ **Investiční společnost České spořitelny, a. s., Sporomix 3 – otevřený podílový fond**, an open-end mutual growth fund, book entered. Up to 40% of the fund's assets may be invested in shares and instruments bearing the risk of shares. The fund was launched on May 1, 2000.

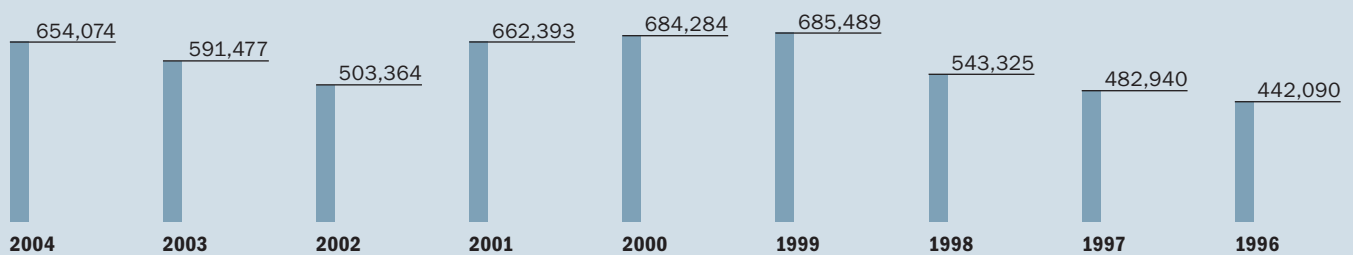
____ **Investiční společnost České spořitelny, a. s., Fond řízených výnosů – otevřený podílový fond**, an open-end mutual growth fund, book entered. A balanced fund with a prevalence of money market instruments, supplementary investing in shares. The proportion of stock and securities investing in equities must not exceed 25% of the fund's assets. The fund was launched on June 14, 1999.

____ **Investiční společnost České spořitelny, a. s., Výnosový otevřený podílový fond**, an open-end mutual growth fund, book entered. A balanced fund with a prevalence of bonds. The proportion of shares and instruments bearing the risk of shares shall not exceed 25% of the fund assets. The fund was created on December 1, 1999 by transformation of an investment fund.

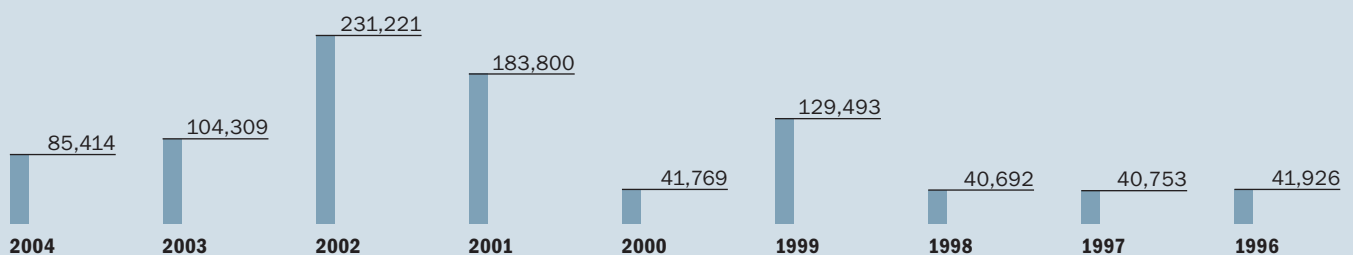
Selected ISČS Financial Indicators

		2004	2003	2002	2001	2000	1999	1998	1997	1996
Total assets	(thous. CZK)	654,074	591,477	503,364	662,393	684,284	685,489	543,325	482,940	442,090
Registered capital (equity)	(thous. CZK)	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000
Net asset value	(thous. CZK)	597,185	512,874	409,661	582,637	624,851	593,337	473,891	442,649	411,701
Before tax profit	(thous. CZK)	115,107	146,183	260,727	186,783	55,934	190,677	84,124	85,693	82,434
Net profit	(thous. CZK)	85,414	104,309	231,221	183,800	41,769	129,493	40,692	40,753	41,926
Number of employees	persons	31	32	58	67	77	102	107	137	162

Development of Asset Value (in thous. CZK)

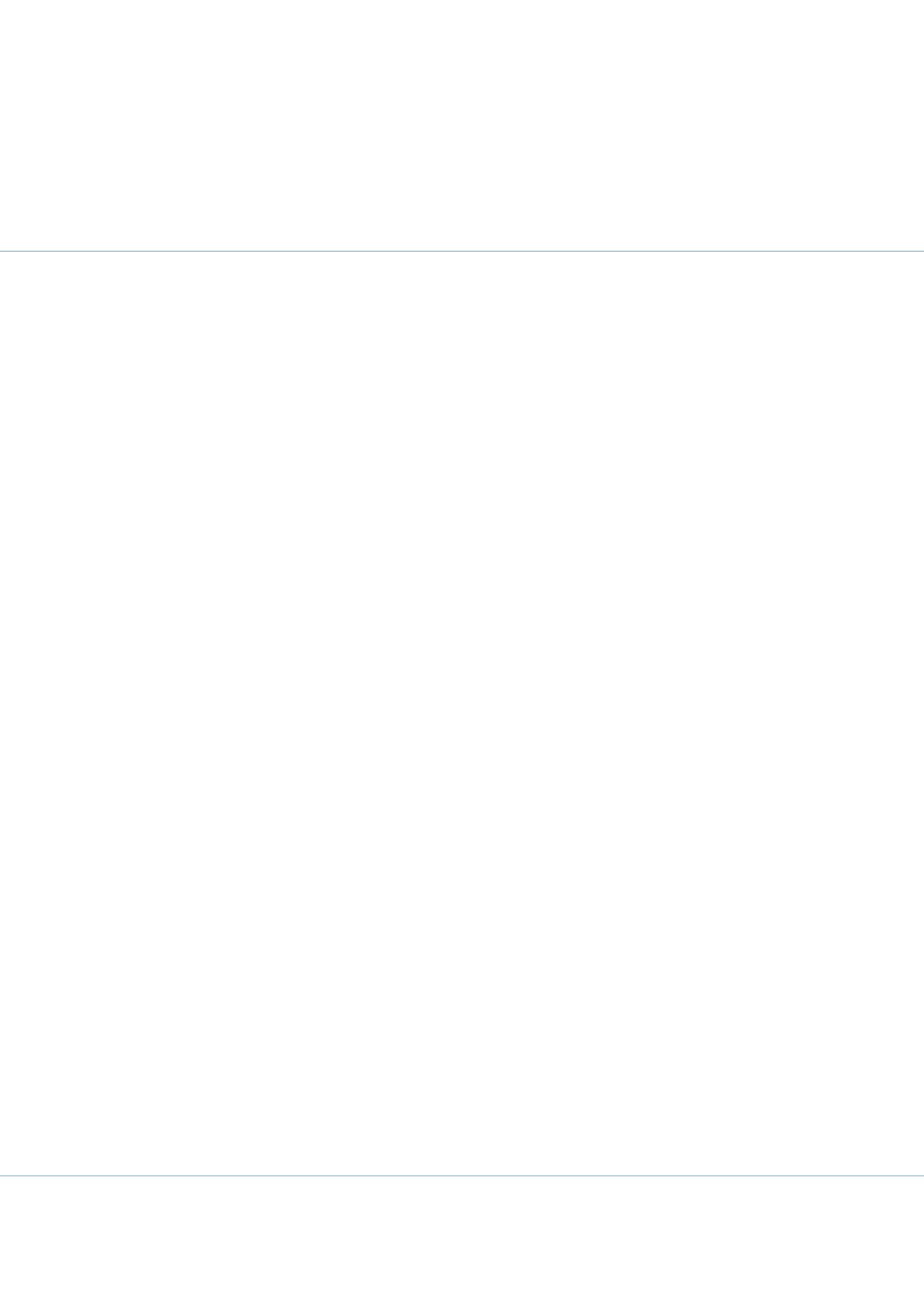


Development of Net Profit (in thous. CZK)



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Abbreviations used

ČS – Česká spořitelna, a. s.
 ISČS – Investiční společnost České spořitelny, a. s.
 UNIS – Unie investičních společností ČR
 OPF – Open-Ended Mutual Fund (OEMF)
 FF – Fund of Funds
 UC – Unit Certificate
 CRA Fond Scoring – Evaluation of OEMF according to criteria
 AÚV – Accrued interest income

Introduction by the Chairman of the Board of Directors

Dear friends:

_____ Last year 2004 our company succeeded in carrying out intentions to improve the quality of our products, to adhere to the accepted principles of managing of our funds and to observe the decisions in the company's cost area. The collective investment into mutual funds is still a young sphere of business in our country, recently winning new clients. Their contentment, improving of services on investment, high-quality consultancy and a sufficient offer of our funds constitute the attributes allowing us to accomplish our mission. An important factor for our business activities is the broad network of the Česká spořitelna branches with a sufficient expert background of their salespeople.

_____ Investiční společnost České spořitelny manages twelve open-end mutual funds. From the point of view of investment aiming, the funds shall satisfy the broad spectre of interested persons expecting an appreciation of their financial means and ready to accept a risk connected with the area of collective investment. Our offer also supports in the appropriate manner the product structure of Česká spořitelna finance group.

_____ The popularity of our funds grows every year. In the year 2004, we succeeded in many respects to surpass even the record year 2003, when sales of unit certificates of funds managed by our company exceeded CZK 22 billion and the net sales achieved CZK 8.4 billion.

_____ The growth of ISČS funds assets also surpassed the preceding year and it represents an annual growth of CZK 10.7 billion. In per cent expression, the assets grew by more than 22%, when, at the same time, the assets of the whole domestic open-end mutual funds market achieved roughly 12%.

_____ Total unit holders investments into open-end mutual funds exceeded CZK 169 billion; an extensive growth dynamic was recorded especially by the foreign funds, where the Czech investors placed already CZK 60 billion.

_____ At the end of the year, ISČS managed clients' assets in value of almost CZK 59 billion and confirmed in this way its leading position as the most powerful investment company with the market share of almost CZK 59 billion. We are holding also important positions in particular market segments and we are managing the by volume largest funds in categories: money market, bonds and equity.

_____ Investments into equity funds prospered in the last year, especially in the Central European region. A transfer of assets into these funds continued. They were attracted by the improving results of companies, political stability, relatively strong GDP growth, strengthening of currencies and admittance of these states into the EU. An increased interest of clients in the ISČS funds caused their annual assets growth by 86%.

_____ The domestic as well as the Central European bonds, after losses in the first half of the year, assumed an adverse way in the second half of the year and they showed substantial gains. The money market fund Sporoinvest recorded also a next massive growth wave.

_____ ISČS extended its product offer last year and launched on the market a new open-end mutual fund ČS korporátní dluhopisový, that invests in corporate bonds, mainly from the Central and Eastern Europe countries. Further, ISČS prepared for its clients a possibility to purchase unit certificates by means of four types of investment profiles designed from offered funds of the Česká spořitelna finance group; the corresponding names of these profiles are: Prudent, Conservative, Balanced and Dynamic.

_____ The successful course of trading projected itself also in the economic results of our company. The ISČS economic indicators achieved substantially better than planned results. These results were to a deciding degree influenced by savings of costs in the operation area and by higher returns from the Company's financial investments. Total profit after taxes amounted to CZK 85 million. Financial situation of the Company was very good during the observed period.

_____ The admittance of the Czech Republic into the European Union evoked changes in legislative norms. ISČS prepared during the observed period changes in the Statutes of mutual funds. They were amended in consistence with the new Act on Collective Investment. The new wording of the Statutes came into force as at May 2, 2005. On this date, all the existing ISČS mutual funds change into standard mutual funds; these funds meet the requirements of the European Community law. ISČS was thus one among the first Czech investment companies that carried out the important task brought by the legislative changes in the investment business.

Prague, May 17, 2005



RNDr. Petr Zapletal
Chairman of the Board of Directors
And Managing Director



Report of the Board of Directors on Business Activities of ISČS and on Position of its Assets

_____ In 2004, the Investiční společnost České spořitelny, a.s. strengthened its leading position in the Czech open-end mutual funds market. The growing reliance of our clients has been gained by fulfilling of its basic mission – granting a high-quality service in the area of collective investment, namely at the management of the mutual funds' assets, as well as at permanent perfection of the offer of consultant and technological services pursued through the Česká spořitelna branches.

ISČS: its Trading, Assets and Market Position

_____ In 2004, ISČS succeeded to surmount the trades of the preceding record year 2003. Sales of unit certificates of funds managed by our Company exceeded a high of CZK 22.6 billion, redemption came to CZK 14.1 billion. As a result, the net sales achieved a level higher than CZK 8.4 billion.

_____ The increase in the net asset value of the funds under our management also surpassed the 2003 results and it represents an annual increase of CZK 10.7 billion. In per cent expression, the assets grew by more than 22%. At the end of the year, the assets of our clients in our funds thus reached a value of almost CZK 59 billion (CZK 58.98 billion).

_____ The ongoing high sales volumes of unit certificates of our funds and their assets growth ensure ISČS a principal position in the domestic mutual funds market. The assets of open-end mutual funds aggregated in the Union of investment companies in Czech republic (UNIS) achieved CZK 109.1 billion at the end of 2004. The ISČS share as of this date achieved 54%. Our share in all assets of open-end mutual funds managed for Czech investors by domestic and foreign companies achieved almost 35%.

_____ In the evaluated time period, ISČS increased its share in the Czech fund market: it has a 47% share in the segment of money market funds and already 12% in the equity funds market. In the segment of bond funds, there was a fall of almost two per cent at the end of the year; our share was 37%.

_____ We hold an important position in the particular fund categories, where our managers control the largest inland funds. So the money market fund SPOROINVEST assets amounted to CZK 41 billion at the end of 2004; its annual growth achieved 12 billion. In the category of bond funds, our SPOROBOND is the largest fund with its assets in the amount of more than CZK 11 billion. The biggest equity fund Sportrend grew to almost CZK 2 billion.

Company's Business Policy

_____ Last year was especially successful for the stock markets and this was observed in a global scale. Unequalled growth in tens of per cent achieved namely East European shares, where among others appeared

the expected convergence effect of approximation of countries admitted to the EU. All that positively influenced the increased interest of clients in the ISČS equity funds, where the assets grew annually by 86%. The Company succeeded in fulfilling of this intention to increase the assets in funds for investing with a longer time horizon.

_____ Less successful was the last year for the bond funds because of the pressure on bond prices virtually in the entire Central European region at the beginning of the year. This led to a lower interest in bond funds, despite their performance in last year was very attractive.

_____ On the contrary, the clients went back to the Sporinvest money market fund and contributed here to an important growth in assets, which achieved annually 41%.

_____ ISČS introduced for its clients another investment alternative in a form of a new open-end mutual fund named ISČS-ČS korporátní dluhopisový fond. The fund invests into corporate bonds of firms mainly from the Central and Eastern Europe. After the approval of the Statute by the Securities Commission, the sale of its unit certificates started at April 1, 2004.

_____ Last year, ISČS prepared for its clients a possibility to purchase unit certificates by means of investment profiles. There are four kinds of portfolios designed from the offered funds of the Česká spořitelna Finance Group with variant choices according the investment fluctuation; the corresponding names are Prudent, Conservative, Balanced and Dynamic.

_____ As of December 31, 2004, ISČS managed the assets of twelve open-end mutual funds.

_____ ISČS or Česká spořitelna do not own the assets of the funds – these belong to the mutual fund unit holders. The accounting of the company is kept strictly separate from the accounting of mutual funds.

Trading Results and Legislation

_____ In 2004, the economic indicators of the Investiční společnost České spořitelny, a. s. achieved substantially better than planned results. These results were to a great degree influenced by significant savings of costs in the operation area and by higher returns from the Company's financial investments. Net profit of ISČS core activities amounted to CZK 55 million; this is a substantial growth compared to 2003 and it exceeds 2.5 times the planned annual goal. Total profit after taxes amounts to CZK 85.4 mil. Financial situation of the Company was very good during the observed period.

_____ The average number of ISČS employees including the top management and members of the Board of Directors reached 32 persons.

_____ The admittance of the Czech Republic into the European Union evoked a necessity of amendments in legislative norms enforcing the European principles of mutual funds management and distribution of their unit certificates. ISČS prepared during the observed period, consist-

ent with the successively accepted legal norms, among others changes in the Statutes of funds. The Statutes were amended and harmonized with the new Act No.189/2004 Coll. on Collective Investment and with the Notice No. 457/2004 Coll. on minimum Statute requirements and on compulsory requirements for the simplified Statute of a fund for collective investment and with their transformation into standard funds meeting the conditions of the European Union law. The new wording of the Statutes will come into force as at May 2, 2005. On this date, all the existing ISČS mutual funds shall be changed into standard mutual funds, i.e. that according to provisions of Section 2, paragraph 1, letter d) of the Act on Collective Investment these funds meet the requirements of the European Community law. ISČS was thus one among the first Czech investment companies that carried out the important task brought by the legislative changes in the investment business.

ISČS: an Important Member of the ČS Financial Group

_____ The mission of ISČS within the Česká spořitelna Financial Group is to create, together with other subsidiaries, a competitive portfolio of financial products. That means to offer such a spectrum of mutual funds and investment services which would correspond to the financial needs of ČS clients.

_____ ISČS in this sense co-operates with the ERSTE-SPARINVEST – a subsidiary of the Austrian ERSTE-BANK – which helps with the formation of the strategy, and in launching of some new products on our market.

_____ Measures on the synergy extension within the framework of the Česká spořitelna Financial Group are being accepted with the aim to find further possibilities for improving services for our clients. The exploitation of synergies should at the same time positively contribute to the creation of the Company's profit, among others by costs saving.

Change in the Company's Registered Office and Changes in Company's Boards

_____ In accordance with the accepted strategy, the Investiční společnost České spořitelny, a. s. has changed its registered office. On October 4, 2004 the Municipal Court in Prague issued a resolution to change in the Commercial Register the seat as follows: Praha 1, Staré Město, Na Perštýně 342/1, postal code 110 00.

_____ As of December 31, 2004, Mgr. Martin Burda resigned from his membership in the Board of Directors, in connection with the termination of his employment.

_____ From the Supervisory Board resigned its Chairman Mag. Wolfgang Traintl. Ing. Martin Škopek was called to the chair of the Supervisory Board. This change happened on December 10, 2004.

ISČS Improves its Technology and Quality of Services

_____ ISČS offers by means of the network of ČS branches the broadest range of services with unit certificates on our market. Information on offered services and investment possibilities may be obtained in the ČS branches that constitute one of the largest distribution networks in our country.

_____ The self-service phone or Internet form of the "Servis 24" service that provides acquisition of current information and enables, among others, to purchase unit certificates of the ISČS funds became very popular. Other services offering flexible and comfortable solutions are for instance "Periodical purchasing and redemption of unit certificates", "Open investing", "Exchange of unit certificates" and many others.

_____ By means of the offered services, ISČS enables to its unit holders who do not dispose of the needful information and competent know-how to invest even smaller financial amounts and so exploit the possibilities offered by the particular segments of the capital market. In this way, ISČS tries to bring to its unit holders the highest possible returns at the minimum risk in relation to the specified investment strategy of the funds.

_____ A high level of services and a high-quality consultancy contribute, inter alia, to the strong position of the ISČS funds on the domestic market. ISČS has recently given primary attention to the preparation and support of advisors so that the consulting they provide is highly qualified, up-to-date, and understandable for clients. The same degree of attention is also paid to the improvement of sales technologies and development of services.

Membership in Professional Organizations and Relationship to the Public

_____ ISČS is one of founding members of the Unie investičních společností České republiky (UNIS). Its mission is to promote the development of collective investing by creating standard conditions and to minimize risks involved in not providing investors with complete information. The further goal is to pursue the observance of standards of fair commercial relations, to prevent unethical conduct of investment companies and the non-compliance with the standards of fair business relations and good morals.

_____ ISČS is substantially engaged in activities of this organization not only by taking part in the UNIS bodies, but by expert and material involvement as well. ISČS by means of UNIS takes part in drafting measures aiming to improve the functioning of the capital market, to support the allocation of resources into investment instruments and to increase the economical knowledge of investors.

_____ ISČS provides permanent information explicitness on all important matters necessary for making an investment decision.

Information may be obtained 24 hours a day from the Česká spořitelna Client Centre, to which ISČS also provides all necessary information.

An innovation of the ISČS Internet pages was carried out in 2004. Pages were essentially improved not only in their visual concept, but especially in extension of the information content connected also with use of interactive services.

Information on the market development in "Fondy a trhy" is updated weekly. ISČS further prepares a monthly leaflet on investment offers

"Investiční nabídka", which is a very helpful material used by the sellers as well as by investors. Information of a more permanent nature is contained in the "Zpravodaj ISČS", or in frequent leaflets. All the information materials may be obtained in the ČS branches, in ISČS or on Internet pages.

In 2004, ISČS obtained second place in public voting for financial institutions in the category Investment Companies "Golden Poke 2004".

In 2004, ISČS was evaluated by the Česká spořitelna as a Best Subsidiary in the quality of internal services.

Praha, April 25, 2005

Board of Directors
of Investiční společnost České spořitelny, a. s.

Board of Directors of the Investiční společnost České spořitelny, a. s.

Supervisory Board of the Investiční společnost České spořitelny, a. s.

RNDr. Petr Zapletal, MBA (1963)

- > Chairman of the Board of Directors and Managing Director
- > Graduated from the Charles University, Faculty of Mathematics and Physics, doctorate in physics (1988)
- > US Business School in Prague, MBA in economics, finance (1993)
- > Capital market licence
- > Securities and Financial Derivatives Representative (SFA), London (1994)
- > Professional experience: 15 years

Ph.D. Guntard Gutmann (1967)

- > Member of the Board of Directors and a Deputy Managing Director
- > Graduated from the University of Salzburg
- > Faculty of Law Science (1997)
- > Doctoral studies at the Charles University Prague (1996)
- > Professional experience: 8 years

Mgr. Martin Burda (1971)

- > Member of the Board of Directors and a Deputy Managing Director
- > Graduated from the Charles University, Faculty of Mathematics and Physics (1995)
- > Professional experience: 8 years
- > Ending of the Board of Directors membership on December 31, 2004

Ing. Martin Škopek (1967)

- > Chairman of the Supervisory Board
- > Graduated from the University of Economics, Prague and The Jack T. Bonn Graduate School of Community Banking, Oklahoma City University (1995)
- > Professional experience: 14 years
- > Beginning of the Supervisory Board membership on December 10, 2004

Günther Mandl (1959)

- > Member of the Supervisory Board
- > Graduated from the Realgymnasium in Vienna (1978)
- > Savings Bank qualification – of 1st and 2nd levels (1981, 1984)
- > Professional experience: 22 years

Mag. Heinz Bednar (1962)

- > Member of the Supervisory Board
- > Graduated from the University of Vienna
- > Faculty of Social and Economic Science
- > Professional experience: 15 years

Mag. Wolfgang Traindl (1958)

- > Chairman of the Supervisory Board
- > Graduated from the University of Economics in Vienna, Business Science (1982)
- > Professional experience: 21 years
- > Ending of the Supervisory Board membership on December 10, 2004

Portfolio managers ISČS

Štěpán Mikolášek, Ing., CFA (1977)

- > Director of the Bond Funds Section and portfolio manager
- > Graduate of Economic University Prague, Faculty of Finance (2000); Chartered Financial Analyst, CFA Institute, Charlottesville, USA (2004)
- > Professional experience in collective investment sector 5 years, thereof Portfolio manager professional experience:
Bondinvest (2001)
Trendbond (2001–2004)
Výnosový OPF (2003–2004)

Jiří Lengál, Mgr., Ing. (1971)

- > Portfolio manager
- > Graduate of Charles University, Faculty of Natural Science, Biochemical branch (1995); Graduate of Economic University Prague, Faculty of Finance (1998); Equity Markets and Analysis, Advanced Fixed Income Analysis, Derivatives (Moneco, Brno (1999–2002); CFA, level 2, CFA Institute, Charlottesville, USA (2004)
- > Professional experience in collective investment sector 5 years, thereof Portfolio manager professional experience:
Sporotrend (2002–2004)

Tomáš Ondřej, MGR., CFA (1973)

- > Director of the Equity Funds Section and portfolio manager
- > Graduate of Palacký University Olomouc, Faculty of Natural Science, branch mathematics-geography); specialization mathematical analysis (1996); Broker licence, Ministry of Finance (1997); Chartered Financial Analyst Course (title CFA), CFA Institute, Charlottesville, VA, USA (2004)
- > Professional experience in collective investment sector 7 years, thereof Portfolio manager professional experience:
Sporomix 3 (2000–2004); original name 2. Spořitelní privatizační investiční fond
Eurotrend (2000–2004)
Sporomix 5 (2002–2004); original name Všeobecný otevřený podílový fond
Globaltrend (2003–2004)

Martin Šmíd, Ing. (1973)

- > Portfolio manager
- > Graduate of Western Bohemian University, Cheb, Department of Finance and Banking (baccalaureate education) (1995); Graduate of Masaryk University, Brno, Faculty of Economics and Administration, Department of National Economy (graduate education) (1998); Advanced Fixed Income Analysis, Czech Finance Academy (ČFA) and Moneco, Brno (2001); Fundamental Analysis and Rating, ČFA and Moneco, Brno (1999); Structured Products, ČFA and Moneco, Brno (2001); Derivatives, Citibank, Praha (2000); Credit Risk and Credit Derivatives, ČFA and Moneco, Brno (1999)
- > Professional experience in collective investment sector 7 years, thereof Portfolio manager professional experience:
Merkur OPF (2000–2002)
Sporinvest OPF (2000–2004)
ČS korporátní dluhopisový OPF (2004)

Jaromír Zdražil, Ing. (1972)

- > Portfolio manager
- > Graduate of ČZU University, Department of Quality (1996); Brokerage Licence, Ministry of Finance (1996); Macroeconomy and Market, Czech Finance Academy (ČFA), Brno; Foreign Securities, ČFA, Brno; Treasury Game, Citibank (1999); Derivatives, Citibank (2001); Fixed Income Market and Analysis, ČFA, Brno (2001); Advanced Fixed Income Analysis, ČFA, Brno (2001); Credit Risk and Credit Derivatives, ČFA, Brno (2002); Assets Securing, ČFA, Brno (2002)
- > Professional experience in collective investment sector 7 years, thereof Portfolio manager professional experience:
Fond řízených výnosů (2000–2004); original name Český OPF
Sporobond (2001–2004)
Bondinvest (2002–2004)

Report of the Management of ISČS

Open-Ended Mutual Funds

Open-Ended Mutual Funds:

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All of the open-ended mutual funds listed are accounting units without legal entity status, established by Investiční společnost České spořitelny, a. s., pursuant to Act No. 248/92 Coll.

The depository bank of the funds is, on the basis of an agreement, Česká spořitelna, a. s.

The auditor of ISČS and all the funds managed by it is Deloitte s. r. o.

Characteristic

_____ The biggest open-end money market fund in the Czech Republic, designed primarily for short-term investment, even for a period under one year.

Investment Strategy

_____ The investment company buys into the fund's assets primarily money market instruments and mid-term bonds, whereas preferring debenture securities from issuers with Standard & Poor's or Moody's investment grade credit rating. The investment company buys into the mutual fund assets even unit certificates of open-end mutual funds and securities issued by foreign subjects of collective investment.

_____ The average period to maturity shall be actively managed with regard to the expected future interest rates development. The average modified duration of the mutual fund's portfolio shall not exceed one year.

Commentary of the Fund Manager

_____ Stability dominated in the domestic money market in the first quarter of 2004, which changed into a rates growth caused by an abrupt change in the sentiments of investors. An anxiety about the higher growth of economy, about a growth in inflation stress and possible increasing of repo rates demonstrated itself by the higher growth of the shorter interest rates. Czech National Bank increased twice the interest rates by always 0.25% (in June and August). Sentiments in the market have changed again in the beginning of the last quarter and the expectation of in-

crease in interest rates weakened gradually. This development found its reflection in decrease in market yields along the whole yields curve, from the shortest to the long rates. The decrease in domestic yields was supported by a similar decrease in the European markets.

_____ The corporate bonds market noted, with an exception in the first quarter, good results; obligations of firms of all sectors grew for the rest of the year. In comparison with the previous year, the tightening of the credit premiums appeared in much smaller extent.

_____ The average modified duration was kept on a low level during the first three quarters due to an expectation of the investment rates growth. The performance of the fund was positively influenced by the higher exploitation of money market instruments with a very low duration in the second and third quarters, when a distinct growth in interest rates in the market occurred. In the beginning of the last quarter, the duration of the fund was slightly increased, mainly by investments positioned on the more liquid Euro yield curve with concurrently hedging against the exchange rate risk. In this way, the fund participated in the yield decrease in last months of the year.

_____ The part of the fund's portfolio consisting of corporate bonds was changing with the aim to decrease the riskiness of issuers. In particular, the positions in bonds of more defensive issuers have been strengthened. A high diversification of the portfolio remains still one of the main features of the fund.

_____ The Sporinvest's assets grew by a record CZK 12 billion in 2004, the fund is the biggest open-end mutual fund in the Czech Republic.

Number of Unit Certificates Issued and Redeemed in 2004

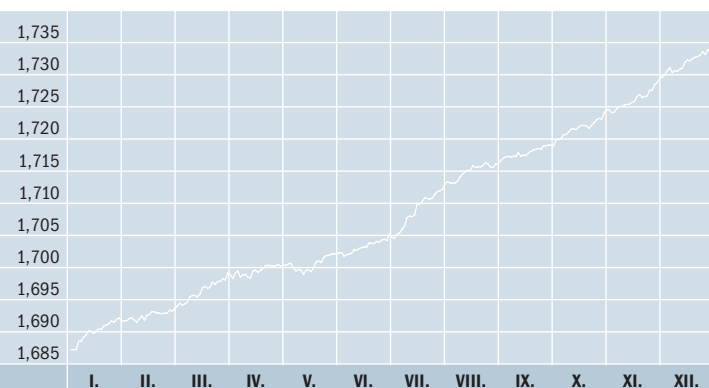
Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK	no.	CZK	no.	CZK
11,341,905,390	19,343,304,116.30	4,835,201,589	8,256,431,450.30	6,506,703,801	11,086,872,666.00

Development of the Fund's Main Economic Indicators

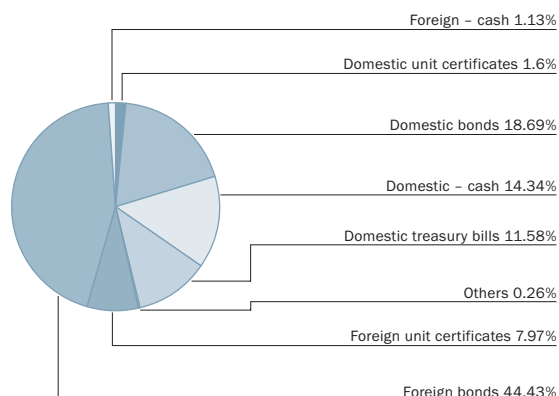
As of 31. 12.	Net asset value per UC (CZK)	Net asset value (thous. CZK)	Profit/Loss after tax (thous. CZK)	Performance (%) p.a.
1996	1.0475	640,155	11,464	4.75*
1997	1.2018	1,647,359	170,751	14.73
1998	1.356	4,300,250	303,624	12.83
1999	1.4765	16,815,290	875,952	8.89
2000	1.5392	16,500,129	825,804	4.25
2001	1.6005	16,854,709	815,365	3.98
2002	1.6514	27,180,475	609,021	3.18
2003	1.6864	29,065,175	447,819	2.12
2004	1.7302	41,077,774	804,358	2.60

* absolutely, from inception date

Development of the value of unit certificates of OPF Sporinvest in 2004 (CZK)



Asset structure



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.

Characteristic

_____ The biggest open-end mutual bond fund in the Czech Republic, designed for mid-term investment with a recommended investment horizon of at least two years. Its yields proceed from good-quality, primarily domestic bonds.

Investment Strategy

_____ Financial funds are invested into government bonds, money market instruments and into other debenture securities with a high credit rating, as permitted by the Act on Investment Companies and Investment Funds.

_____ In order to hedge against the interest rate risks, the exchange rate and credit risks, the mutual fund occasionally invests in financial derivatives.

_____ The average period to maturity shall be actively managed with regard to the expected future interest rates development in a way that enables to achieve the fund's goals.

Commentary of the Fund Manager

_____ Symptoms of revival in economy fully manifested themselves in 2004. The growth of GDP achieved 3.6% during the first three quarters; inflation grew by 2.8% during the whole year. Expectation of future inflation moved the ČNB to increase its rates by 0.25% already in June and repeat this operation once more and, in this way, to increase the key repo rate on 2.5%. The US economy went

on in a steady growth; it strengthened by 4.4% during the whole year. American Central Bank commenced to increase rates in June and starting from the historically lowest level of 1% it increased its key rate by 1.25% till December. European economy developed slightly worse and it grew by only 1.8% during the first three quarters.

_____ After losses in the first half of the year, domestic bonds took an adverse way and gained considerable profits. Investors evaluated the inflation expectations as overvalued and the then presented rhetoric of the Central bank as exaggerated. Bond prices abroad were also strengthening. For a considerable part of the year, except short-term changes, the Sporobond's portfolio had a longer duration than its benchmark; only in the end of the year it has been shortened under the equilibrium level. The Sporobond's performance achieved in the considered period interesting 6.27% and it was higher than the benchmark performance.

Number of Unit Certificates Issued and Redeemed in 2004

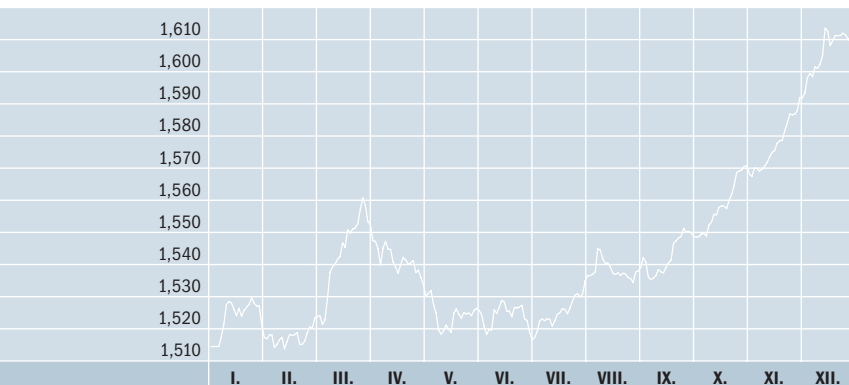
Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK	no.	CZK	no.	CZK
865,924,199	1,345,507,842.00	2,624,011,004	4,035,450,760.80	-1,758,086,805	-2,689,942,918.80

Development of the Fund's Main Economic Indicators

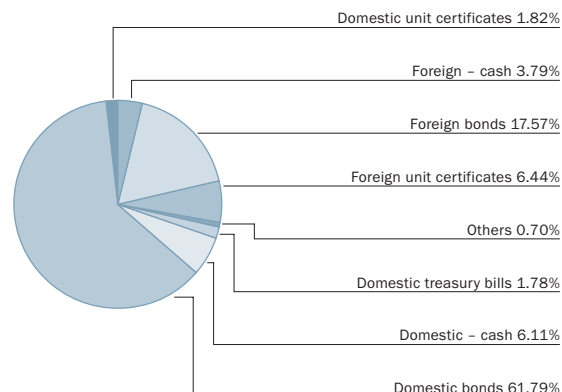
As of 31. 12.	Net asset value per UC (CZK)	Net asset value (thous. CZK)	Profit/Loss after tax (thous. CZK)	Performance (%) p.a.
1998	1.1436	1,049,485	14,217	14.36*
1999	1.254	2,337,973	148,078	9.65
2000	1.2999	2,066,500	139,621	3.66
2001	1.3920	2,734,958	114,541	7.09
2002	1.4865	8,449,694	253,799	6.78
2003	1.5155	13,182,477	339,031	1.95
2004	1.6105	11,177,841	338,075	6.27

* absolutely, from inception date

Development of the value of unit certificates of OPF Sporobond in 2004 (CZK)



Asset structure



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.

Characteristic

_____ An open-end mutual bond fund designed for mid-term investment with a recommended investment horizon of two to three years.

Investment Strategy

_____ It is based on the "convergence effect", i. e., the convergence of interest rates level of Central European countries to the rates of the European Monetary Union. The fund invests financial means cumulated in the current account mainly in bonds of new member states of the European Union. The fund purchases preferably debenture securities from issuers with the Standard & Poor's or Moody's investment grade credit rating. In order to secure the interest risks, the exchange rate and credit risks, the mutual fund occasionally invests in financial derivatives. Owing to the big share of foreign currencies in the portfolio whose volume is not limited, the investment value may prove a high short-term volatility.

Commentary of the Fund Manager

_____ The unit price of the fund varied between 1.02 and 1.08 in the first half of the year 2004. It was caused by the pressure on the bond prices in the whole Central European region. In the first months of 2004, there were fears of the possible growing inflation and so, the government bonds yields were influenced by this

scenario. ČNB reacted on this perspective in June and July by increasing its basic interest rates by in sum 0.5 per cent point to 2.50%. Afterwards, it came to a re-assessment of the threat of a fast inflation growth as well as yields and so, the Czech bonds started to gain. This trend of a strong price rise lasted until the end of 2004.

_____ Similar was the development in Poland. Polish Central bank raised its rates by 1.25 per cent point from 5.25% to 6.50% in the summer months of 2004. The bond prices then grew persistently in the second half of 2004. Next to the positive inflation perspective, the prices were supported by implementation of austerity fiscal measures.

_____ Hungarian Central bank only lowered its interest rates from the high 12.5% to 9.5% in 2004 and so, the Hungarian bonds had the highest performance in the region.

_____ Positively development was noted also in exchange rates, most of them in the Polish Zloty, which strengthened by more than 12% towards Euro during the year 2004.

_____ The fund profited the whole year primarily from the overbalanced position in Polish government bonds and ended the year with unit price of 1.1544. The performance of the fund achieved a magnificent 11.2% in the considered period.

Number of Unit Certificates Issued and Redeemed in 2004

Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK	no.	CZK	no.	CZK
151,943,631	166,394,676.80	764,661,212	820,198,676.40	-612,717,581	-653,803,999.60

Development of the Fund's Main Economic Indicators

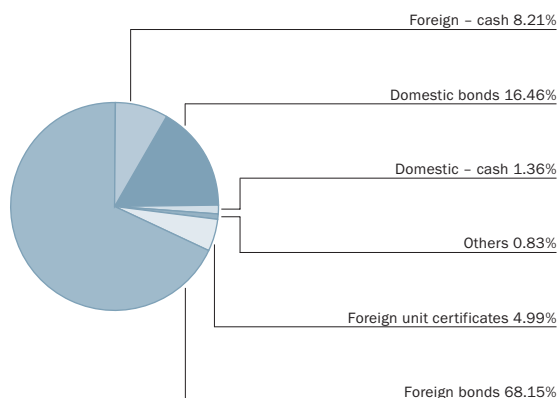
As of 31. 12.	Net asset value per UC (CZK)	Net asset value (thous. CZK)	Profit/Loss after tax (thous. CZK)	Performance (%) p.a.
2001	1.0237	395,802	3,205	2.37*
2002	1.0943	774,609	35,219	6.9
2003	1.0381	1,746,815	47,805	-5.14
2004	1.1544	1,235,169	16,093	11.20

* absolutely, from inception date

Development of the value of unit certificates of OPF Trendbond in 2004 (CZK)



Asset structure



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.

ČS korporátní dluhopisový

Characteristic

_____ Fund was founded on April 1, 2004. An open-end mutual bond fund designed for mid-term investment with a recommended investment horizon of minimum three years.

Investment Strategy

_____ Fund invests primarily in corporate bonds, mostly from Central and East European countries. The fund purchases preferably debenture securities from issuers with the Standard & Poor's rating of at least B-, or Moody's rating of at least B3 investment grade.

_____ In order to secure the interest risks, the exchange rate and credit risks, the mutual fund occasionally invests in financial derivatives.

Commentary of the Fund Manager

_____ Fund started its activities on April 1, 2004, in time of a distinct growth on the foreign bond markets. The biggest price drop, caused by a growth of expectations of a fast increase of key interest rates, happened in the American market. A growth of yields on the dollar yield curve found its reflection in the growth of the Euro yield curve, but already in a lesser extent. A change in investors' sentiments appeared in the half of the year and the expectation of a growth of interest rates in the main global economies begun gradually to weaken. As a consequence of this

development, the euro and dollar yield curves begun to fall gradually, and this process lasted for the whole second part of the year.

_____ The corporate bond market of issuers from the so called EMEA region (Central and Eastern Europe, Near and Middle East, Africa) was negatively influenced in the second quarter by an affair around the Yukos company and by the crisis of the Russian bank system. But the attractive bond yields and the economic growth of the EMEA countries allured soon again and the growth of confidence was reflected in the bond price growth that lasted till the end of the year; it has not been stopped even by the growth of emission activity in this region.

_____ With respect to the development of the bond markets in the beginning of the second quarter and to the perspective of further development, the portfolio of the fund was invested with a low duration. At the same time, from the point of view of duration, the dollar part of the portfolio was hold shorter than the euro part. The reason were different expectations of further interest rates development in American and European economies. Although the fund's portfolio did not include bonds of the Yukos company or of the bankrupted Russian banks, the performance of the fund in the beginning was negatively influenced by the fall of the whole market. As soon as the corporate bond market in the EMEA countries recovered, the fond profited from the higher share of bonds issued by Russian and Kazakh firms, the fastest growing ones in the last year.

Number of Unit Certificates Issued and Redeemed in 2004

Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK	no.	CZK	no.	CZK
856,617,657	856,673,497.00	256,495	259,108.20	856,361,162	856,414,388.80

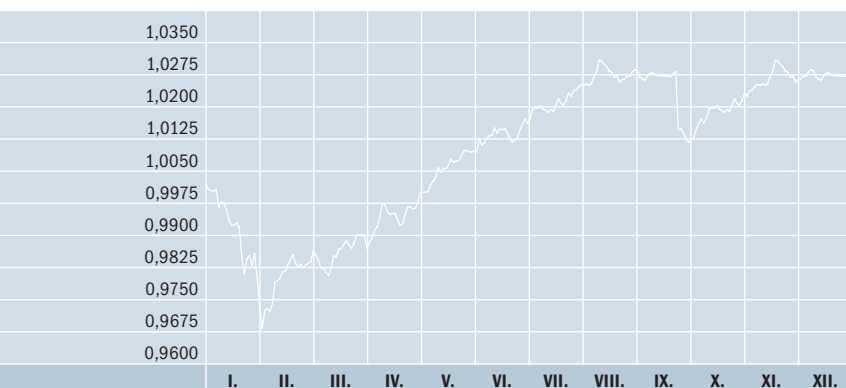
Development of the Fund's Main Economic Indicators

As of 31. 12.	Net asset value per UC (CZK)	Net asset value (thous. CZK)	Profit/Loss after tax (thous. CZK)	Performance (%) p.a.
2004	1.0216	874,829	66,520	2.16*

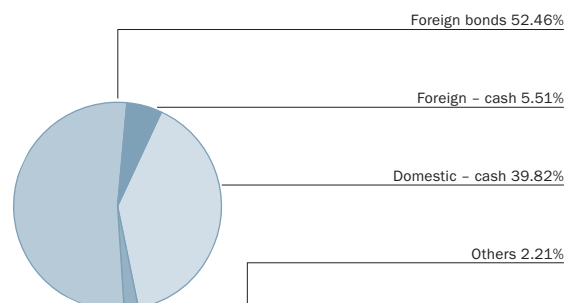
* absolutely, from inception date

Development of the value of unit certificates of OPF

ČS korporátní dluhopisový in 2004 (CZK)



Asset structure



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.

Characteristic

_____ A bond fund designed for mid-term investment of 2-3 years. Unit certificates of this open-end mutual fund are in the form of a bearer security in documentary form. Unit certificates are issued at the nominal value of CZK 5,000 and of CZK 50,000. They can be bought by domestic as well as by foreign natural persons or corporate bodies.

_____ The entire profit generated by the fund is used as a source for payment of the profit share, which is paid out to unit holders once a year. The decisive date for the payment of profit share for 2004 was set at March 31, 2005.

Investment Strategy

_____ The fund manager invests financial means cumulated in the current account kept for the mutual fund primarily into bonds, into money market instruments and other debenture securities complying with statutory requirements.

_____ Further, it buys into the mutual fund assets also unit certificates of open-end mutual funds and securities issued by foreign entities of collective investment, if their focus and investment policy goals are not contrary to the investment focus of the mutual fund.

Commentary of the Fund Manager

_____ Year 2004 was relatively successful for the Czech economy, GDP grew to 3.6% till the end of September, inflation grew by 2.8% in the whole year. ČNB consequently raised rates by 0.25% already on its June session and it repeated it once more and so increased the key Repo rate on 2.5%. The US economy strengthened by 4.4% during the whole year. The American central bank started to rise its rates in June and from its historically lowest level of 1% raised its key rate by 1.25%, so that it ended with 2.25% in December. European economy behaved a bit worse and it improved its results only by 1.8% during the first three quarters.

_____ Czech bonds profited extensively in the second half of the year. Investors evaluated the inflation expectations as overvalued and the then presented rhetoric of the Central bank as exaggerated. Bond prices abroad were also strengthening.

_____ Duration of the fund during the year was, except for short-term changes, rather higher than the duration of benchmark. In the end of the year, duration was cut under the benchmark level. Performance of the fund was higher than the benchmark performance and achieved 5.41%.

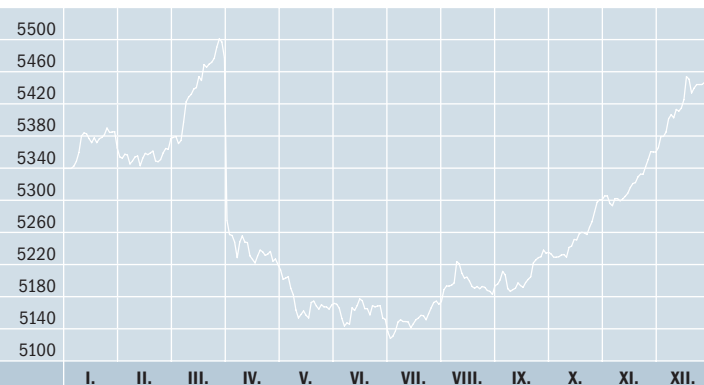
Number of Unit Certificates Issued and Redeemed in 2004

Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK	no.	CZK	no.	CZK
10,117	53,566,565.00	9,456	49,775,918.00	661	3,790,647.00

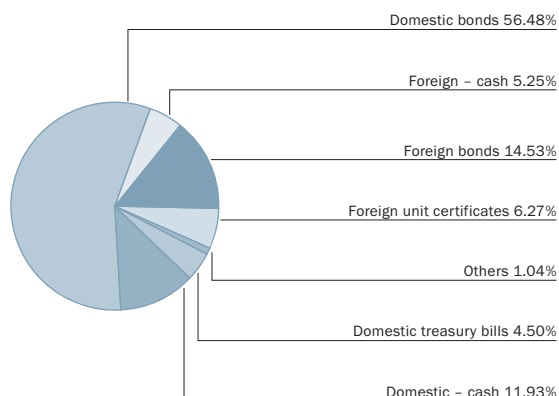
Development of the Fund's Main Economic Indicators

As of 31. 12.	Net asset value per UC (CZK)	Net asset value (thous. CZK)	Profit/Loss after tax (thous. CZK)	Performance (%) p.a.
1996	5,368.4358	238,234	22,047	11.65
1997	5,605.4372	184,027	24,830	13.41
1998	5,696.0501	178,487	20,841	15.74
1999	5,749.7860	195,947	23,976	10.75
2000	5,246.0442	257,785	11,999	4.78
2001	5,414.5842	286,069	17,360	7.87
2002	5,420.8518	386,078	16,438	6.22
2003	5,316.3818	426,991	14,395	2.18
2004	5,416.8825	438,643	11,917	5.41

Development of the value of unit certificates of OPF Bondinvest in 2004 (CZK)



Asset structure



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.

Characteristic

_____ An open-end mutual equity fund designed for long-term investment, with a horizon of at least 5 years. Revenue is derived primarily from trading in good-quality and liquid stock of trustworthy issuers from Central European countries (Czech Republic, Poland, Hungary).

Investment Strategy

_____ The fund manager invests financial means primarily into registered stock. Further, also unit certificates of open-end mutual funds and securities issued by foreign entities of collective investment with the same investment goals are bought into the portfolio. The regional and sector allocation and choice of particular titles are managed with the aim to surpass the yield of index investments.

Commentary of the Fund Manager

_____ The year 2004 brought a unique growth to the Central European stock, when the domestic and Hungarian markets distinctively surpassed 50%, and Warsaw grew by almost 35%. Markets profited from the interest of investors evoked by the nearing and later realized accession of these countries in the EU. An inflow of financial means from abroad was very noticeable in the markets after the correction that took place in the end of April and beginning of May. After a short period of stagnation, the markets recovered and that lasted till the end of the year.

_____ Last year, the valuation gap relative to their West European peers narrowed and due to the price appreciation, the gap was in many cases entirely closed. This is a reflection of a fact that some global investment houses started to cover Europe with their investment recommendations and foreign countries started to perceive Central European markets as less risky.

_____ A number of companies achieved a distinct increase in profitability in 2004, influenced either by global economic conditions, particularities of domestic economy or by consolidation and internal austerity measures. Thus, there is no surprise that as well as in the rest of the world, mostly prospered firms connected with commodities exploitation and oil processing. A boom in mortgage financing and its generous state support distinctively aided to the unique performance of Hungarian banks; an example of successful and for the shareholders useful consolidation was ČEZ, on the other hand, the weakening dollar hurted firms with the export orientation to the USA. Only after a number of years, the Prague Stock Exchange started to fulfil its function as a resource of capital - stock of the Zentiva company was admitted in June.

_____ The region brought later a number of similar occasions, the Polish market was traditionally the most active in the public stock offering, where on the stock exchange was, among others, admitted the biggest local bank or a leading private TV station. As in the case of Zentiva, participation in these actions paid off to the investors.

_____ In 2004, Sporotrend almost doubled its assets on CZK 1.9 billion. Achieved performance was excellent, it was 41.8% in the evaluated period.

Number of Unit Certificates Issued and Redeemed in 2004

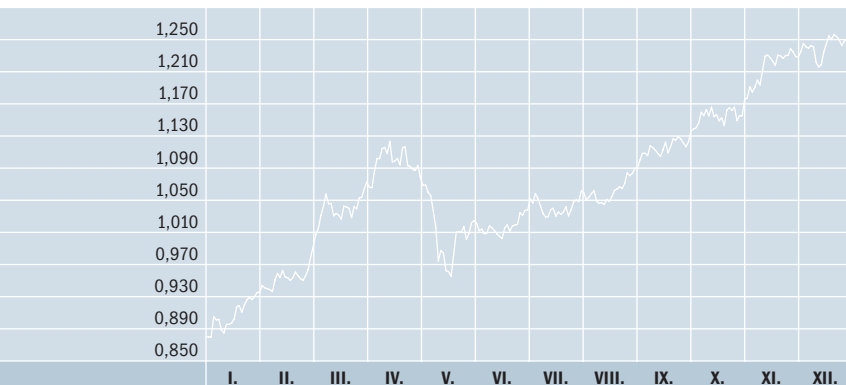
Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK	no.	CZK	no.	CZK
1,360,588,890	1,433,674,792.40	934,690,173	976,357,324.70	425,898,717	457,317,467.70

Development of the Fund's Main Economic Indicators

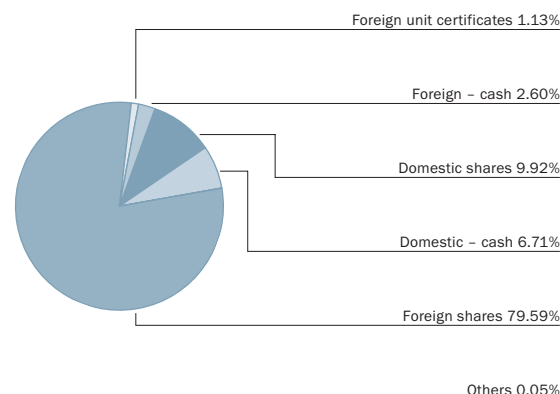
As of 31. 12.	Net asset value per UC (CZK)	Net asset value (thous. CZK)	Profit/Loss after tax (thous. CZK)	Performance (%) p.a.
1998	0.8177	60,109	-7,518	-18.33*
1999	0.9052	169,186	9,710	10.7
2000	0.8810	829,873	-2,723	-2.67
2001	0.6918	675,596	-124,705	-21.48
2002	0.6998	564,658	-61,340	1.16
2003	0.8776	969,641	29,859	25.41
2004	1.2452	1,906,051	160,412	41.89

* absolutely, from inception date

Development of the value of unit certificates of OPF Sporotrend in 2004 (CZK)



Asset structure



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.

Characteristic

_____ An open-end mutual equity fund designed for long-term investment of at least seven years. Its portfolio contains primarily shares of European issuers, on the basis of the Dow Jones STOXX 50 index.

Investment strategy

_____ The investment company operates on capital markets in order to achieve for the unit holders a long-term appreciation of the unit certificate by yields from the difference between the sale and acquisition prices of securities and from the dividend and interest yields. In order to mitigate the exchange rate risk and the risk involved in the adverse development of prices of securities, the investment company occasionally makes use of financial derivatives.

Commentary of the Fund Manager

_____ European shares offered to investors a yield of 9.5% in 2004, as measured by the STOXX 600 index; they grew already second year in sequence, they added 13% in 2003. European index DJ STOXX 50, that is a benchmark for Eurotrend, grew however considerably less, only 4.3% because of its narrow sector structure. Particularly prosperous were firms paying off a high dividend. The so-called growth companies lagged behind already fifth year in sequence, investors were not willing to pay the risk premium. Highest yields were offered by companies dealing with distribution of electricity, water and gas, high growth was recorded in

sectors that are not represented in the narrow index DJ STOXX 50, as e.g. building industry. Generally, the yields from European shares were rather a disappointment, because the fundamental data indicated bolder results.

_____ For domestic investors, the strengthening of Czech crown however erased even these one-digit profits. Czech crown strengthened towards the GBP by 12.5% and by 5% towards euro. In this way, the fund recorded a loss of 0.2% in 2004, in spite of a partial hedging of the exchange rate risk, especially in the second half of the year. The fund distinctively surpassed its benchmark, namely by 3.58%.

_____ During the evaluated period, the fund assets grew by more than 70%.

Number of Unit Certificates Issued and Redeemed in 2004

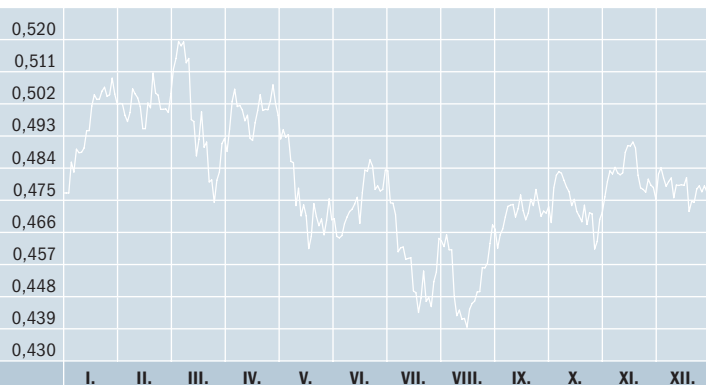
Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK	no.	CZK	no.	CZK
798,969,337	386,859,078.40	424,287,071	202,431,792.70	374,682,266	184,427,285.70

Development of the Fund's Main Economic Indicators

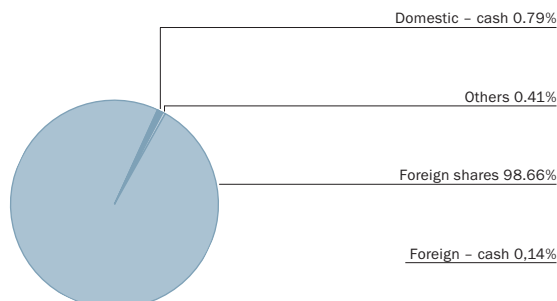
As of 31. 12.	Net asset value per UC (CZK)	Net asset value (thous. CZK)	Profit/Loss after tax (thous. CZK)	Performance (%) p.a.
2000	0.8801	246,740	-2,250	-11.99*
2001	0.6351	195,145	-26,692	-27.84
2002	0.4167	125,271	-40,420	-34.39
2003	0.4739	245,689	-22,449	13.73
2004	0.4729	422,391	-2,571	-0.21

* absolutely, from inception date

Development of the value of unit certificates of OPF Eurotrend in 2004 (CZK)



Asset structure



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.

Globaltrend FF

Characteristic

Open-end mutual fund of funds designed for investment of at least five years. Its portfolio shows a broad diversification of investments focused on global markets.

Investment Strategy

Assets of the mutual fund are invested primarily into unit certificates of open-end mutual funds and into securities issued by foreign entities of collective investment that invest in the stock markets. This strategy enables sufficient investment spreading in a broad global scope. Aim of the fund is to surpass the stock index MSCI ACWI by an active management of investments.

Commentary of the Fund Manager

In a global scale, year 2004 was successful for the equity markets. Markets were supported by the GDP growth that was highest in some few last decades. When measured by the index S&P, American stock grew by an above-average 9%. European stock offered to investors a yield of 9.5%, that is slightly over the long-term average. Stock grew already second year in sequence. Particularly prosperous were firms paying off a high dividend. The so-called growth companies lagged behind, investors were not willing to pay the risk premium. Highest yields were offered by companies dealing with distribution of electricity, water and gas, offering

at time even a 7% dividend, their shares valued in average by 25%. In contrast to the USA, the technologies totally disappointed in Europe; they recorded a 1.5% loss. Worth attention is also the performance of the Turkish stock exchange (36%) and of the Brazilian one (18%).

Equal important factor as shares were for the total efficiency of Czech investors the currency fluctuations, namely the abrupt weakening of dollar and the strengthening of Czech crown towards euro.

Czech crown strengthened towards dollar by 12.5% and 5% towards euro, which as a matter of fact erased for the Czech investors the performance of foreign markets and so, the fund valued by only 1.05% in spite of hedging against the exchange rate risk, especially in the second half of the year. The fund distinctively surpassed its benchmark, namely by 4.75%.

Number of Unit Certificates Issued and Redeemed in 2004

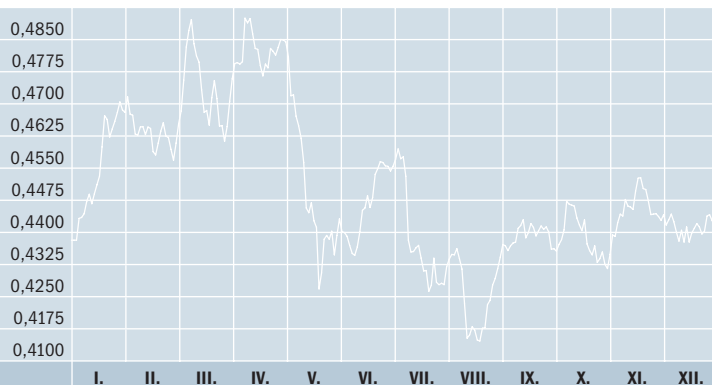
Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK	no.	CZK	no.	CZK
333,323,254	150,919,182.60	213,647,137	96,742,869.30	119,676,117	54,176,313.30

Development of the Fund's Main Economic Indicators

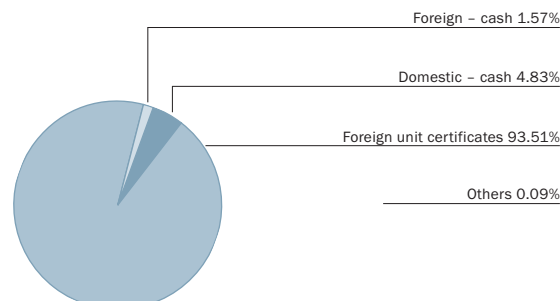
As of 31. 12.	Net asset value per UC (CZK)	Net asset value (thous. CZK)	Profit/Loss after tax (thous. CZK)	Performance (%) p.a.
2000	0.8490	135,936	-1,234	-15.10*
2001	0.6401	120,471	-31,119	-24.61
2002	0.3996	75,486	-42,241	-37.57
2003	0.4367	143,263	-12,943	9.28
2004	0.4413	197,592	6,876	1.05

* absolutely, from inception date

Development of the value of unit certificates of OPF Globaltrend FF in 2004 (CZK)



Asset structure



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.

Sporomix 5

CRA Fond Scoring

Characteristic

It is a balanced open-end mutual fund with a prevalence of shares in its portfolio. The recommended investment horizon is 5 years.

Investment Strategy

The fund manager invests the financial means primarily into liquid European shares, into domestic and European bonds and further in the money market instruments. Weight of shares and instruments bearing a risk of shares shall not exceed 65% of the fund's assets. Debenture securities from issuers with Standard & Poor's or Moody's investment grade credit rating are preferably bought into the bond part of the portfolio.

Commentary of the Fund Manager

The active managed balanced portfolio with a neutral weight of shares of about 50% was in practice during the whole year overbalanced in shares, because of their growth. The position in European shares was markedly increased at the end of summer after a strong correction. In this way, the fund by its valuation very positively reacted on the strong autumn growth. Generally, the yields of Euro-

pean shares were rather disappointing. The contribution of the Central European shares to the fund's performance was brilliant, because these markets exceeded performance of the Western Europe by tens of per cent. Important was not only the admission of given countries into the EU, that attracted attention of investors, but the increased profitability of companies in a number of industries, as for instance banking or oil processing.

In the first months of 2004, there were fears of a possible growth of inflation in the Czech Republic and so the government bonds yields were influenced by this scenario. ČNB reacted on this perspective in June and July by increasing its basic interest rates by in sum 0.5 per cent point to 2.50%. Afterwards, it came to a reassessment of the threat of a fast inflation growth as well as of yields and the Czech bonds started to gain.

An overbalanced position in Polish government bonds was maintained during the whole year, because their price and the rate of zloty developed favorably.

The yield from the foreign equity investments was very negatively influenced by the strengthening of Czech crown. Fund achieved very interesting valuation by 7.32% in 2004 and surpassed its benchmark by 1.57%.

Number of Unit Certificates Issued and Redeemed in 2004

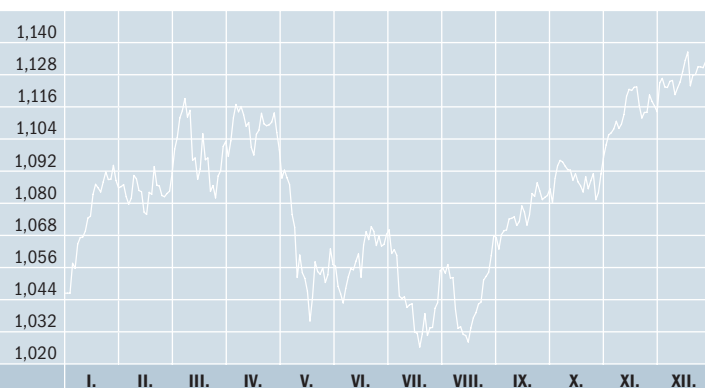
Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK	no.	CZK	no.	CZK
124,362,644	134,626,806.70	43,563,500	46,994,776.90	80,799,144	87,632,029.80

Development of the Fund's Main Economic Indicators

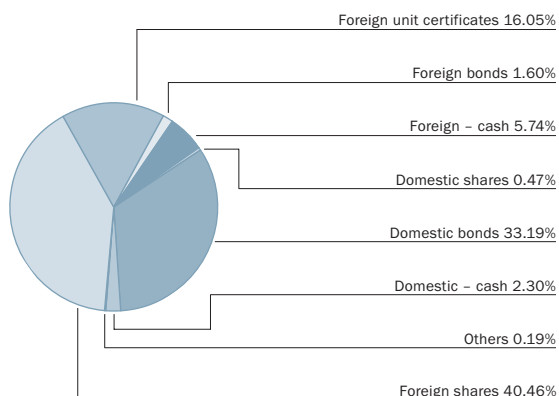
As of 31. 12.	Net asset value per UC (CZK)	Net asset value (thous. CZK)	Profit/Loss after tax (thous. CZK)	Performance (%) p.a.
2000	1.0659	1,525,851	-11,105	1.27*
2001	1.1075	220,503	-29,789	3.90
2002	0.9566	159,666	-14,961	-13.63
2003	1.0456	186,519	-5,662	9.30
2004	1.1221	290,831	4,446	7.32

* absolutely, from inception date

Development of the value of unit certificates of OPF Sporomix 5 in 2004 (CZK)



Asset structure



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.

Sporomix 3

CRA Fond Scoring

Characteristic

It is a balanced open-end mutual fund with a prevalence of bonds in its portfolio. It is recommended to retain an investment in this fund for a time period of at least 3 years.

Investment Strategy

ISCS invests the financial means of shareholders into European and domestic bonds, into liquid shares and into the domestic money market instruments. The weight of shares and instruments bearing the risk of shares shall not exceed 40% of the fund assets. The unit certificates of open-end mutual funds and the securities issued by foreign entities of collective investment are also bought into the portfolio of this fund. In order to mitigate the exchange rate risk and the risk involved in the adverse development of the prices of securities, the investment company occasionally makes use of financial derivatives.

Commentary of the Fund Manager

The balanced fund with a neutral share of stock of about 30% was during the whole year overbalanced in shares because of their growth. The position in European shares was distinctively increased after a strong correction in the end of summer and the fund favourably reacted on the strong autumn growth by its va-

luation. The contribution of Central European shares to the fund performance was rather distinctive. It was caused not only by the accession of given countries into the EU, which attracted attention of investors, but also by the increased profitability of companies, caused by favourable economic environment in a number of industries, as for instance banking or oil processing. Yields from European shares were rather disappointing, as their performance lagged behind the East European shares by tens of per cent.

In the first months of 2004, there were fears of the possible growing inflation and so, the government bonds yields were influenced by this scenario. ČNB reacted on this perspective in June and July by increasing its basic interest rates by in sum 0.5 per cent point to 2.50%. Afterwards, it came to a reassessment of the threat of a fast inflation growth as well as of yields and the Czech bonds started to gain. This trend of a strong price rise lasted until the end of 2004.

In the fund, there was an overbalanced position in Polish government bonds; their price and the exchange rate of Zloty developed favourably.

Yields from foreign stock investment were very negatively influenced by the strengthening of the Czech crown.

In 2004, the fund achieved valuation by 6.57% and surpassed its benchmark by 1.27%.

Number of Unit Certificates Issued and Redeemed in 2004

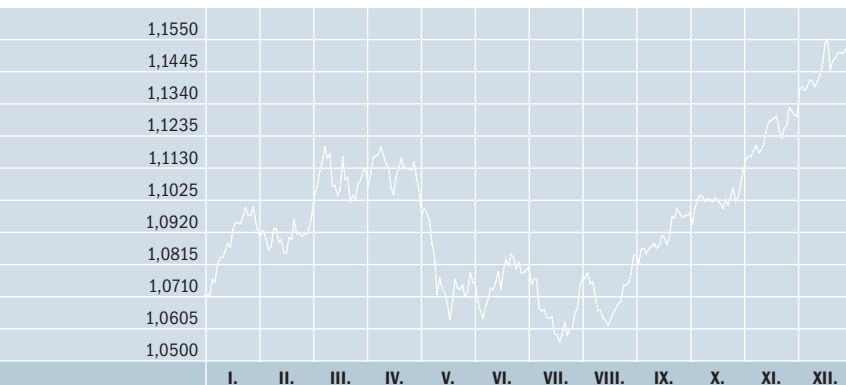
Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK	no.	CZK	no.	CZK
74,753,438	82,185,543.60	91,268,814	100,542,725.50	-16,515,376	-18,357,181.90

Development of the Fund's Main Economic Indicators

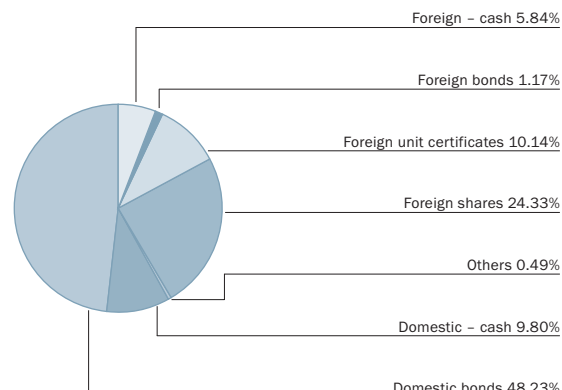
As of 31. 12.	Net asset value per UC (CZK)	Net asset value (thous. CZK)	Profit/Loss after tax (thous. CZK)	Performance (%) p.a.
2000	1.1518	1,603,375	-120,142	-3.93*
2001	1.0990	982,370	-205,266	-4.58
2002	1.0143	571,296	-82,874	-7.71
2003	1.0753	394,142	-18,038	6.01
2004	1.1459	401,093	2,311	6.57

* absolutely, from inception date

Development of the value of unit certificates of OPF Sporomix 3 in 2004 (CZK)



Asset structure



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.

Fond řízených výnosů

CRA Fond Scoring ★★★★★

Characteristic

It is a balanced open-end mutual fund with a prevalence of money market instruments, which additionally invests into stock. The recommended duration of investment is three years.

Investment Strategy

The share of the value of stock, securities of foreign collective investment entities investing into stock, and unit certificates of equity open-end mutual funds is, at a maximum, 25% of the value of the assets. The technology of portfolio management is such that in a case of a decline in the price of shares in the fund's portfolio, their share in the assets is lowered. The fund may continue to be invested for this reason even without the stock component, until the end of the calendar year, or until such time when the value of unit certificate reaches the value it had at the beginning of the calendar year during which the drop occurred. The fund manager may buy in the fund's assets also mid-term bonds, primarily with a floating interest yield.

Commentary of the Fund Manager

In accordance with the fund's strategy, the share of stock in the portfolio was increased in the first months of 2004, but after a broad correction in European market in the time period April–August (–9.1%) the share was decreased on one half, so as not to endanger the aim of positive valuation in every calendar year. From August till the end of the year, after the revival of European stock, its share was hold on the level of 8–10%, which helped to balance the previous losses.

The bond part of the portfolio with its low duration served as a stabilizing factor. The low duration acts as a hedge against the excessive volatility of the stock market. Duration was hold only in a very narrow range during the whole year.

Number of Unit Certificates Issued and Redeemed in 2004

Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK	no.	CZK	no.	CZK
44,660,874	56,394,782.80	91,441,057	115,520,345.30	-46,780,183	-59,125,562.50

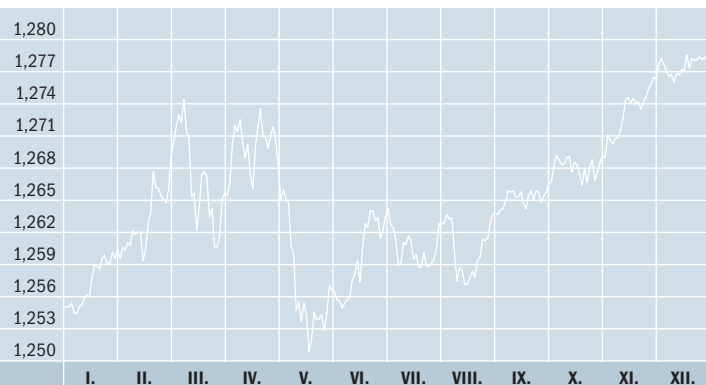
Development of the Fund's Main Economic Indicators

As of 31. 12.	Net asset value per UC (CZK)	Net asset value (thous. CZK)	Profit/Loss after tax (thous. CZK)	Performance (%) p.a.
1999	1.0751	7,734,753	244,962	6.64*
2000	1.1532	5,127,905	-565,325	7.26
2001	1.1964	1,057,377	59,101	3.75
2002	1.2474	923,048	13,080	4.26
2003	1.2547	871,467	4,865	0.59
2004	1.2757	826,385	18,031	1.67

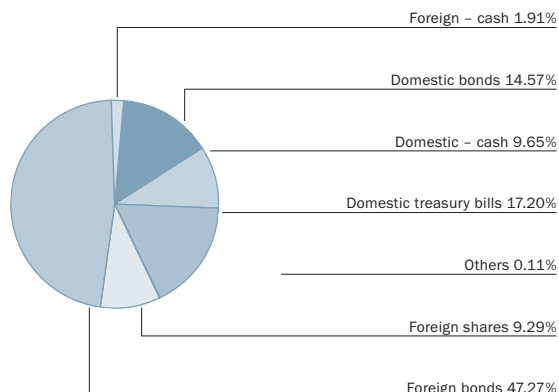
* absolutely, from inception date

Development of the value of unit certificates of OPF

Fond řízených výnosů in 2004 (CZK)



Asset structure



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.

Výnosový otevřený podílový fond

CRA Fond Scoring ☆☆☆☆

Characteristic

It is a balanced open-end mutual fund with a prevalence of bonds in its portfolio. It is recommended that an investment in this fund be retained for a time period of 4 years.

Investment Strategy

Fund manager invests financial means primarily into bonds, shares and money market instruments and into other registered securities permitted by the law. The proportion of shares and instruments bearing the risk of shares shall not exceed 25% of the fund assets. The fund makes use of financial derivatives for hedging of interest, credit and foreign currency risks.

Commentary of the Fund Manager

Unit price of the fund fluctuated around the value of 1.35 in the first half of 2004, due to the pressure on bond prices in the entire Central European region. In the first months of 2004, there were fears in the Czech Republic of the possible growing inflation and so, the government bonds yields were influenced by this scenario. ČNB reacted on this perspective in June and July by increasing its basic interest rates by in sum 0.5 per cent point to 2.50%. Afterwards, it came to a reassessment of the threat of a fast inflation growth as well as of yields and

the Czech bonds started to gain. This trend of a strong price rise lasted until the end of 2004.

Similar was the development in Poland. Polish Central bank raised its rates by 1.25 per cent point from 5.25% to 6.50% in the summer months of 2004. The bond prices then grew persistently in the second half of 2004.

Hungarian Central bank only lowered its interest rates from the high 12.5% to 9.5% in 2004 and so, the Hungarian bonds had the highest performance in the region.

Positively development was noted also in exchange rates, mostly of the Polish Zloty, which strengthened by more than 12% towards Euro during the year 2004.

The fund profited the whole year primarily from the overbalanced position in Polish government bonds.

During the whole year, with regard to the stock markets growth, the position in shares was hold on a higher level (14–18%) than the neutral allocation of 10%. European shares, represented in the benchmark by the index DJ STOXX 50 added only 4.3%, but the fund performance was very positively influenced by the positions in Czech, Hungarian and Polish shares, because the Central European stock exchanges strengthened by tens of per cent.

In 2004, the Výnosový otevřený podílový fond achieved a very good valuation, exceeding 10%.

Number of Unit Certificates Issued and Redeemed in 2004

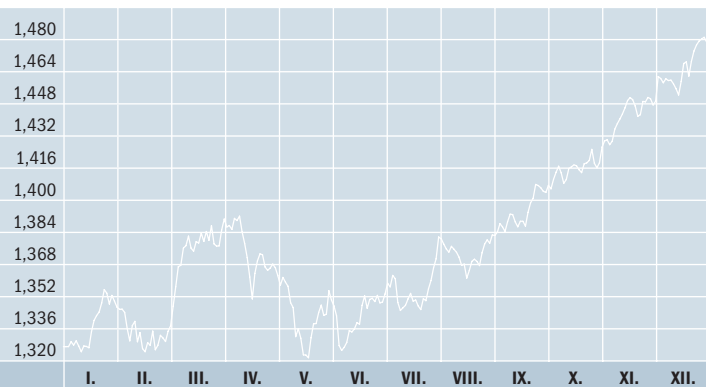
Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK	no.	CZK	no.	CZK
54,688,978	76,761,014.30	159,549,679	218,137,040.90	-104,860,701	-141,376,026.60

Development of the Fund's Main Economic Indicators

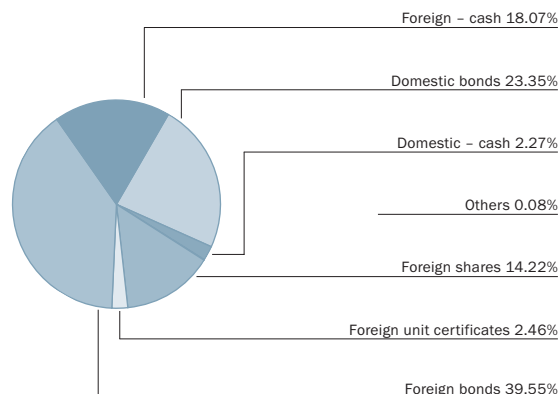
As of 31. 12.	Net asset value per UC (CZK)	Net asset value (thous. CZK)	Profit/Loss after tax (thous. CZK)	Performance (%) p.a.
1999	1.0837	6,249.111	5,191	0.79*
2000	1.1571	4,533.427	16,208	6.77
2001	1.2293	1,069.727	162,010	6.24
2002	1.2973	777,462	24,197	5.53
2003	1.3232	1,043,138	65,620	2.00
2004	1.4647	1,001,035	50,642	10.69

* absolutely, from inception date

Development of the value of unit certificates of Výnosový OPF in 2004 (CZK)



Asset structure



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.

Supervisory Board Report

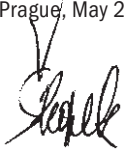
of Investiční společnost České spořitelny, a. s.
with its registered seat: Praha 1, Staré Město, Na Perštýně 342/1, PSČ 110 00, IČ 44796188,
filed with the Commercial Register kept by the Municipal Court in Prague, Section B, entry 1154.

Statement of the Supervisory Board of Investiční společnost České spořitelny, a. s. on the Company's Final Accounts as of December 31, 2004, and on the Proposals for the Distribution of Profit

_____ The Supervisory Board, at its meeting of May 20, 2005, reviewed the final accounts of the company as of Dec. 31, 2004, primarily the amount and structure of its assets and liabilities, the creation of profit/loss in 2004, as well as the proposal for the distribution of profit. On the basis of the accounting statements presented, final accounts, and an audit carried out by Deloitte s. r. o., the Board concluded that the data

is in line with the conditions for keeping of accounts, and that the final accounts reflect the financial situation and results of operations of the company. After verifying a set of other supplementary information, the Supervisory Board recommends that the single shareholder approves, in its capacity as the General Meeting, the final accounts for 2004, and make a decision on the distribution of profit according to the proposal of the company's Board of Directors.

Prague, May 20, 2005



Ing. Martin Škopek
Chairman of the Supervisory Board of
Investiční společnost České spořitelny, a. s.

Report on Relations

under Section 66a par. 9 of the Commercial Code for the 2004 Accounting Period

Investiční společnost České spořitelny, a.s. with its registered office in Praha 1, Staré Město, Na Perštýně 342/1, Postal Code 110 00, Identification number 44796188, filed with the Commercial Register kept by the Municipal Court in Prague in Section B, entry 1154, (hereinafter referred to as the “Contractor”), is a part of a business grouping with the following relations between the Contractor and controlling entities, and between the Contractor and entities controlled by the same controlling entities (hereinafter referred to as “interconnected entities”).

This report on the relations among the entities mentioned below has been elaborated pursuant to Section 66a (9) of Act No. 513/1991 Coll., the Commercial Code, as amended from time to time, for the accounting period of January 1, 2004 to December 31, 2004 (hereinafter referred to as the “accounting period”). In this accounting period, the following agreements were concluded between the Contractor and the entities mentioned below, and the following legal acts and other factual measures were taken or made.

B. Controlling Entities

> **Česká spořitelna, a.s.**, with its registered office in Olbrachtova 1929/62, Postal code 140 00, Praha 4, Czech Republic, Identification number 45244782 (“Česká spořitelna”)

Relation to the Company: directly controlling entity

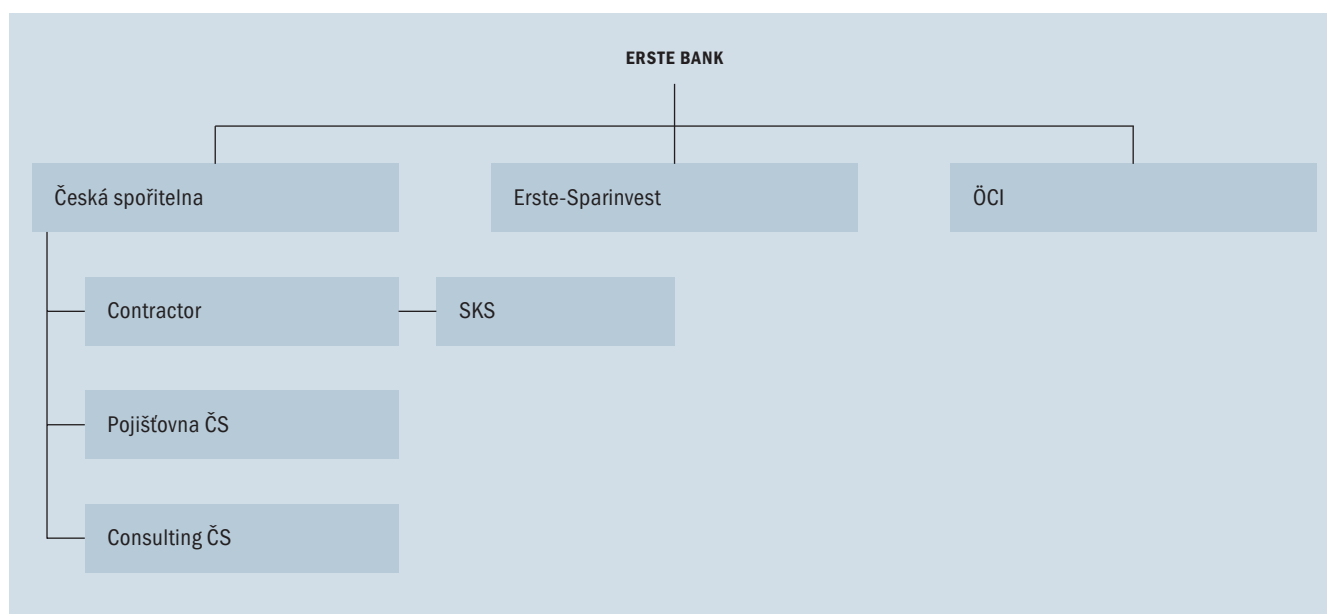
Relationship description – see **Attachment 1**

> **Erste Bank der oesterreichischen Sparkassen AG**, with its registered office in Am Graben 21, Wien, Austria (“**Erste Bank**”)

Relation to the Company: indirectly controlling entity – entity which controls Česká spořitelna

No direct relationship

A. An Overview of Persons whose Relations Are Referred to in the Agreement



C. Other Interconnected Entities

CA. Companies Directly Controlled by Erste Bank:

> **Erste - Sparinvest Kapitalanlagegesellschaft mbH**, Habsburgergasse 1a A-1010 Wien, Austria ("Erste-Sparinvest")

Relation to the Company: company directly controlled by Erste Bank

> **ÖCI - Unternehmenbeteiligungsgesellschaft mbH**, with its registered office in Am Graben 21, 1010 Wien, Austria ("ÖCI")

Relation to the Company: company directly controlled by Erste Bank

Relationship description – **Attachment 2**

CB. Companies Directly Controlled by Česká spořitelna a.s.:

> **Pojišťovna České spořitelny, a.s.**, Nám.Republiky 115, 530 00 Pardubice, Czech Republic ("Pojišťovna ČS")

Relation to the Company: company directly controlled by Česká spořitelna

> **Consulting České spořitelny, a.s.**, Vinohradská 1632/180, 130 00 Praha 3, Czech Republic ("Consulting ČS")

Relation to the Company: company directly controlled by Česká spořitelna

Relationship description – **Attachment 3**



RNDr. Petr Zapletal
Chairman of the Board of Directors
Managing Director

D. Companies Controlled by Investiční společnost České spořitelny, a.s.:

> **Spořitelní kapitálová společnost, a.s.**, Poláčkova 1976/2, 140 21 Praha 4, Czech Republic ("SKS")

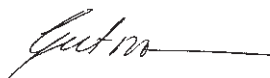
Relation to the Company: Investiční společnost České spořitelny a.s. had a 7% share in this company

Relationship description – **Attachment 4**

E. Conclusion

_____ Our review of the legal relations put in place between the Contractor and the interconnected entities indicates that the Contractor incurred no damage as a result of contractual arrangements, other legal acts or other measures implemented, made or adopted by the Contractor during the accounting period 2004 in the interest, or at the initiative, of individual interconnected entities.

_____ This report has been discussed and approved by the Board of Directors of Investiční společnost České spořitelny a.s., on March 2, 2005.



Dr. Guntard Gutmann
Member of the Board of Directors
Deputy of Managing Director

Attachment 1

Review of Contractual Relationships between Investiční společnost České spořitelny, a. s. as the Controlled Person and Česká spořitelna a. s. as the Controlling Person

ISČS – Costs

Name – description of contract	Date of conclusion	Date of effect	Description of object	Amounts paid in 2004 (CZK 000) or method of price calculation	Contingent damage
1. General contract on mutual cooperation	23/06/2000	Indefinite term	Jointly executed activities towards clients' segments	Individual cooperation and contingent financial liabilities in particular contracts	none
2. Contract on depository's service	1992	Termination agreed as at July 31, 2004	The statutory duty of investment company to contract with depository was abolished	117	none
3. Contract on brokerage for sale and redemption of unit certificates and keeping of records of individual mutual funds including payments to third parties	always upon opening of a fund	Indefinite term	Sale, redemption, operations with unit certificates, records on unit certificates of mutual funds and a lump fee of CZK 5,000 in the open-end mutual fund Sporinvest for activities connected with issuing of the VISA Gold/VISA Classic cards	Brokerage fees sales charges total	none
				275,264 42,400 317,664	
4. Contract on providing of activities connected with sale of the ISČS mutual funds' unit certificates out of ČS branches	17/09/2001	Indefinite term	providing of activities connected with mediation of sale of unit certificates through persons providing these activities on a contract with ISČS	6	none
5. Contracts on payment for use of logotype, commercial name, on assignment of title to the right to use trade mark	20/12/2001	Indefinite term	Use of ČS commercial name for commercial and other activities use of logotype	787	none
6. Implementation contract to general contract on mutual cooperation	14/07/2001	Indefinite term	Provision and use of Client Center Prostějov	952	none
7. Contract on lease of business space and movables	19/07/2002	Terminated as at 30/06/2004	Lease of business space in ČS premises in Poláčkova 1976/2	2,327	none
8. Contract on lease of business space and movables	30/06/2004	From 01/07/2004 for a indefinite term	Lease of business space in ČS premises in Na Perštýně 342/1, Praha1	917	none
9. Contract on lease of business space and movables	30/06/2004	From 01/07/2004 for a indefinite term	Lease of business space in ČS premises in Národní 27, Praha1	275	none

Name – description of contract	Date of conclusion	Date of effect	Description of object	Amounts paid in 2004 (CZK 000) or method of price calculation	Contingent damage
10. Contracts on opening and administration of a current account	10/04/1997	Indefinite term	Provision of banking services including Homebanking	Service prices according to the scale of fees	none
11. Framework contract on administration of CZK deposit accounts to current accounts	15/01/1998	Indefinite term	Individual time deposits based on client's order to contract on administration of accounts	Service prices according to scale of fees	none
12. Contract on opening and administration of a special current account for finance market trades	06/03/2001	Indefinite term	Opening of a special current account	Service prices according to scale of fees	none
13. Contract on opening and administration of Bonus current account for finance market trades	22/11/2002	Indefinite term	Opening of BONUS current account	Service prices according to scale of fees	none
14. Contracts on payment of yields from unit certificates of the fund Bondinvest for 1999–2001	Before the start of payments for the given year	Until 30/06/2006	Payment of coupon No. 5 to 7	According to number of paid-off coupons 15	none
15. Contract on clipping and invalidation of coupons No. 9 of the fund Bondinvest	16/03/2004	Until invalidation of all coupons No. 9	Clipping and invalidation of coupons	According to number of paid-off coupons Clipping 144 Additional print 250	none
16. Contract on deposit and distribution of Bondinvest unit certificates	21/05/2003	Indefinite term	Deposit of non-issued Bondinvest prints	Deposit 339	none
17. Mandate contract on providing of chosen activities connected with managing of ISČS, a. s. assets	25/10/2002	Indefinite term	Bookkeeping of mutual funds Back-office activities Controlling of funds and IT	Payment for these services included in the reward for sale mediation of unit certificates	none
18. Contract on the Human Resources and Salary management and administration	11/12/2002	Indefinite term from 01/01/2003	Human Resources and Salary management and administration of ISČS	175	none
19. Contract on providing of activities in IT	28/11/2003	Indefinite term from 01/01/2004	Maintenance, service, modification and modernizing of the transferred hardware and software used by ISČS for mutual funds management	1,152	none
20. Contract on providing of services connected with ISČS investments into unit certificates of ISČS mutual funds	01/04/2004	Indefinite term	Services connected with ISČS investments into unit certificates of ISČS mutual funds	128	none
21. Contract on providing of services connected with investments executed by funds managed by ISČS into unit certificates of other ISČS mutual funds	01/04/2004	Indefinite term	Services connected with investments executed by funds managed by ISČS into unit certificates of other ISČS mutual funds	501	none

Name – description of contract	Date of conclusion	Date of effect	Description of object	Amounts paid in 2004 (CZK 000) or method of price calculation	Contingent damage
22. Implementary contract on the Framework contract on providing of audit	16/02/2004	Up to the agreed sum	Internal audit of the process of trading with securities	400	none
23. Agreement on pay-off of the extraordinary commission for the increased ČS performance	15/09/2004	Period 02/09-30/09/2004	Incentive action for ČS advisers aiming to increase the resale of the ESPA-ČS Zajištěný fond from the ISČS portfolio to other investors	458	none
24. Agreement on pay-off of the next extraordinary commission for the increased ČS performance	19/11/2004	Period 03/11-10/12/2004	Incentive action for ČS advisers aiming to increase the sales of the ISČS unit certificates within the framework of Investment Profiles	490	none

ISČS – Revenues

25. Contracts on opening and administration of current accounts	10/04/1997	Indefinite term	Administration of current accounts – interest rate 1.5%	1,257	none
26. Framework contract on administration of CZK deposit accounts to current accounts	15/01/1998	Indefinite term	Individual time deposits based on client's order to contract on administration of accounts – interest rates valid as at the date of the time deposit conclusion	339	none
27. Contract on opening and administration of a special current account for finance market trades	06/03/2001	Indefinite term	Opening of the special current account	269	none
28. Contract on opening and administration of the BONUS current account for finance market trades	22/11/2002	Indefinite term	Opening of the BONUS current account – fixed interest rate in % p. a. (14 days revolving)	1	none
29. Buying contract on the sale of hardware	28/11/2003	01/02/2004	Sale of long-term tangible property	Price assessed by an authorized expert 11,599	none

Contracts Concluded between ISČS as a Mutual Funds Manager and ČS, a. s.

Particular Open-End Mutual Funds – Costs

Name – description of contract	Date of conclusion	Date of effect	Description of object	Amounts paid in 2004 (CZK 000) or method of price calculation	Contingent damage
30. Depository contracts on behalf of particular open-end mutual funds	Always when opening of a mutual fund	Terminated on 01/11/2004	Depository services pursuant to the Act 248/92 Coll.	According to the scope of activities and type of the fund, refunded by particular funds	none
31. Depository contract	01/11/2004	Indefinite term	Depository services pursuant to the Act 189/2004 Coll. and the Edict 265/2004 Coll.	According to the scope of activities and type of the fund, refunded by particular funds	
32. Commission contract on purchase or sale of foreign securities*/	09/05/2001	Indefinite term	Purchase and sale of foreign securities for mutual funds managed by ISČS	Commission according to the scale of fees, refunded by particular funds	none
33. Contract on administration and trade settlement of securities*/	12/06/2001	Indefinite term	Administration and trade settlement of securities for mutual funds managed by ISČS	Commission according to the scale of fees, refunded by particular funds	none
34. Commission contract on provision of securities trade settlement*/	28/08/2001	Indefinite term	Provision of settlement of trades in securities via UNIVYC, SCP, RMS or otherwise	Commission according the scale of fees, refunded by particular funds	none
35. Framework agreement on concluding trades in the financial market */	25/01/2001	Indefinite term	Interest and currency derivative deals for hedging of the portfolio value of funds	Commission according the scale of fees, refunded by particular funds	none
36. Contract on payment of yields of year 2002 to the Bondinvest unit certificates holders	23/04/2003	Until 30/06/2007	Payment of yields of year 2002 to the Bondinvest unit certificates holders (from the coupon No. 8)	According to number of paid-off coupons Reward paid by mutual fund Bondinvest	none
37. Contract on payment of yields of year 2003 to the Bondinvest unit certificates holders	16/03/2004	Until 30/06/2008	Payment of yields of year 2003 to the Bondinvest unit certificates holders (from the coupon No. 9)	According to number of paid-off coupons Reward paid by mutual fund Bondinvest	none

*/ because the individual mutual funds do not have their legal personality, contracts are concluded with ISČS as the funds' manager but the payments pertain to the individual funds (separate accounting books of every fund constitute a statutory condition)

Attachment 2

Review of Contractual Relationships between Investiční společnost a. s. as a Person Controlled by ČS a. s. and ERSTE Bank and its Subsidiaries

Contractual party	Name – description of the contract	Date of conclusion	Date of effect	Description of object	Payments included in expenses in 2004 (CZK 000) or a method of price calculation	Contingent harm
ERSTE-Sparinvest	Contract on consultancy upon management of funds Eurotrend and Globaltrend	01/09/2000	Indefinite term	Consultancy in the sphere of foreign capital markets and trading in foreign securities	ET GT Total	726 283 1,009 none
ÖCI – Unternehmensbeteiligungsgesellschaft mbH	Contract on management services	25/09/2000	Indefinite term	Provision of management and consultancy expert services		6,925 none

Attachment 3

Review of Contractual Relationships between Investiční společnost České spořitelny, a. s. as the Person Controlled by ČS a. s. and other Subsidiaries of ČS a. s. (Connected Persons)

Contractual party	Name – description of contract	Date of conclusion	Date of effect	Description of object	Payments included in expenses in 2004 (CZK 000) or method of price calculation	Contingent damage
Pojišťovna ČS a. s.	Insurance policy 590 001 7644	24/10/2001	Indefinite term	Insurance against accident for the company management and its employees	220 covered from the social fund	none
Consulting ČS	Contract on providing of Company's bookkeeping and other associated services	15/11/2002	Indefinite term	Providing of bookkeeping	1,290	none

Attachment 4

Review of Contractual Relationships between Investiční společnost a. s. as the Controlling Person and Spořitelní kapitálová společnost a. s. as the Controlled Person

Name – description of contract	Date of conclusion	Date of effect	Description of object	Method of price calculation and payments in 2004 (CZK 000)	Contingent damage
Framework co-operation contract (accounting, invoicing etc.)	18/06/1996	Indefinite term SKS liquidated as at 16/12/2004	Provision of accounting, invoicing and other services as required	0	none

_____ Other legal acts or measures in the interest or according to initiative of these persons were not adopted or performed by Investiční společnost České spořitelny a. s. in the reviewed fiscal period.

_____ **The Board of Directors of Investiční společnost České spořitelny, a. s. states, that the Company did not incur any damage neither from the mentioned contracts or from other relations.**

Financial Section

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Auditor's Report to the Shareholders of Investiční společnost České spořitelny, a. s.

Having its registered office at: Na Perštýně 342/1, Praha 1

Identification number: 44796188

Principal activities: Collection of finance by issuing unit certificates and the management of assets held in mutual funds.

Based upon our audit, we issued the following audit report dated 18 February 2005 on the financial statements which are included in this annual report on pages 37 to 55:

"We have audited the accompanying financial statements of Investiční společnost České spořitelny, a. s. for the year ended 31 December 2004. These financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on the financial statements, taken as a whole, based on our audit.

We conducted our audit in accordance with the Act on Auditors and the auditing standards issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and conduct the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, the accounting records and other evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Company in the preparation of the financial statements, as well as evaluation of the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion on the financial statements.

In our opinion, the financial statements give a true and fair view, in all material respects, of the assets, liabilities, equity and financial position of Investiční společnost České spořitelny, a. s. as of 31 December 2004 and of the results of its operations for the year then ended in accordance with the Accounting Act and applicable Czech regulations."

We have reviewed the factual accuracy of information included in the report on transactions with related parties included in this annual report on pages 26 to 33. This report is the responsibility of the Company's Board of Directors. Nothing has come to our attention based on our review that indicates that there are material factual inaccuracies in the information contained in the report.

We have read other financial information included in this annual report for consistency with the above mentioned financial statements. The responsibility for the correctness of this information rests with the Company's Board of Directors. In our opinion, other financial information included in this annual report is consistent, in all material respects, with the relevant financial statements.

Without qualifying our opinion we draw your attention to the fact that the Company has not included in this annual report the following components of the financial statements of the funds: a breakdown of the investment portfolios as of 31 December 2003 and 2002. The current information about the funds' investment portfolios is published on an ongoing basis.

In Prague on 20 June 2005

Audit firm:



Deloitte s. r. o.

Certificate no. 79

Represented by:

Michal Petrman, statutory executive



Audit. Tax. Consulting. Financial Advisory.

Statutory auditor:

Michal Petrman

Certificate no. 1105



Member of
Deloitte Touche Tohmatsu

Balance Sheet as at 31 December 2004

Assets (in thousands CZK)		Line	Current period		Prior period	2002	
			Gross	Adjustments	Net	Net	
1	Cash and deposits with the CNB	001	156	0	156	188	23
2	State zero coupon bonds and other securities eligible for refinancing with the CNB	002	0	0	0	0	0
	a State securities	003	0	0	0	0	0
	b Other	004	0	0	0	0	0
3	Amounts due from banks	005	117,561	0	117,561	139,257	19,547
	a Repayable on demand	006	17,463	0	17,463	139,257	9,544
	b Other receivables	007	100,098	0	100,098	0	10,003
4	Amounts due from non-banking entities	008	0	0	0	0	0
	a Repayable on demand	009	0	0	0	0	0
	b Other receivables	010	0	0	0	0	0
5	Debt securities	011	0	0	0	0	1,222
	a Government bonds	012	0	0	0	0	0
	b Other bonds	013	0	0	0	0	1,222
6	Shares, unit certificates and other interests	014	468,360	0	468,360	348,959	364,087
7	Participation interests with significant influence	015	0	0	0	45,000	45,000
	a In banks	016	0	0	0	0	0
8	Participation interests with controlling influence	017	0	0	0	0	0
	a In banks	018	0	0	0	0	0
9	Intangible fixed assets	019	22,907	-14,664	8,243	5,092	10,174
	a Start-up costs	020	0	0	0	0	0
	b Goodwill	021	0	0	0	0	0
10	Tangible fixed assets	022	29,423	-23,617	5,806	12,260	20,600
	a Land and buildings for operating activities	023	0	0	0	0	0
11	Other assets	024	52,852	0	52,852	39,178	41,962
	a Trade receivables	025	46,895	0	46,895	39,148	41,893
	b Receivables from securities	026	0	0	0	0	0
	c Receivables from taxes	027	5,233	0	5,233	0	0
	d Deferred tax asset	028	678	0	678	0	0
	e Other receivables	029	46	0	46	30	69
	Receivables from shareholders for subscribed capital	030	0	0	0	0	0
	Prepaid expenses and accrued income	031	1,096	0	1,096	1,543	749
	Total assets	032	692,355	-38,281	654,074	591,477	503,364
	Control number	999	1,555,123	-76,562	1,478,561	1,361,389	1,069,459

Liabilities (in thousands CZK)	Line	Current period	Prior period	2002
1 Amounts owed to banks and savings associations	033	0	0	0
a Repayable on demand	034	0	0	0
b Other liabilities	035	0	0	0
2 Amounts owed to clients	036	0	0	0
a Repayable on demand	037	0	0	0
b Other liabilities	038	0	0	0
3 Payables from debt securities	039	0	0	0
a Issued debt securities	040	0	0	0
b Other payables from debt securities	041	0	0	0
4 Other liabilities	042	31,333	55,426	65,444
a Trade payables	043	5,520	3,763	15,298
b Payables from securities	044	0	0	0
c Tax liabilities	045	813	31,371	22,726
d Deferred tax liabilities	046	0	1,023	3,955
e Social security payables	047	1,062	1,030	1,178
f Payables to employees	048	1,416	1,476	1,738
g Other liabilities	049	22,522	16,763	20,549
5 Deferred income and accrued expenses	050	25,006	22,277	19,646
6 Reserves	051	550	900	8,613
a For pensions and similar liabilities	052	0	0	0
b For taxes	053	0	0	0
c Other	054	550	900	8,613
7 Subordinated liabilities	055	0	0	0
8 Share capital	056	70,000	70,000	70,000
a Registered share capital paid up	057	70,000	70,000	70,000
b Treasury shares	058	0	0	0
9 Share premium	059	0	0	0
10 Reserve funds and other funds from profit	060	15,644	16,747	17,843
a Mandatory reserve funds	061	14,000	14,000	14,000
b Other reserve funds	062	0	0	0
c Other funds from profit	063	1,644	2,747	3,843
11 Revaluation reserve	064	0	0	0
12 Capital funds	065	0	0	0
13 Gains or losses from revaluation	066	0	0	0
a Of assets and liabilities	067	0	0	0
b Of hedging derivatives	068	0	0	0
c Retranslation of participation interests	069	0	0	0
14 Retained earnings or accumulated losses	070	426,127	321,818	90,597
15 Profit or loss for the period	071	85,414	104,309	231,221
Total liabilities	072	654,074	591,477	503,364
Control number	999	1,425,675	1,326,027	1,168,628

Income Statement

for the Year Ended 31 December 2004

(in thousands CZK)	Line	Accounting period			
		Current	Prior	2002	
1	Interest income and similar income	01	1,866	32,009	44,520
a	Interest income from debt securities	02	0	31,260	36,883
2	Interest expenses and similar expenses	03	0	0	0
a	Interest expenses from debt securities	04	0	0	0
3	Income from shares and participation interests	05	0	985	2,436
a	Income from participation interests with controlling influence	06	0	0	0
b	Income from participation interests with significant influence	07	0	0	211
c	Income from other shares and participation interests	08	0	985	2,225
4	Commission and fee income	09	484,037	434,096	307,762
a	Management fee	10	430,908	385,051	295,480
b	Selling fees	11	53,129	49,045	12,282
c	Other financial income	12	0	0	0
5	Commission and fee expenses	13	321,252	304,109	217,894
a	Brokerage fee for sales of unit certificates	14	275,899	250,307	192,045
b	Selling fees	15	42,414	48,874	12,271
c	Fee dependent on management of funds	16	2,863	4,846	10,734
d	Commission for securities trading	17	0	0	2,727
e	Other financial expenses	18	76	82	117
6	Net profit or loss from financial operations	19	47,890	100,921	-51,214
7	Other operating income	20	13,365	9,517	5,591
a	Revenue from sales of fixed assets and material	21	12,675	8,237	4,796
b	Other	22	690	1,280	795
8	Other operating expenses	23	7,712	12,835	2,997
a	Depreciated price of sold fixed assets and material	24	6,171	5,238	2,210
b	Other	25	1,541	7,597	787

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

(in thousands CZK)	Line	Accounting period			
		Current	Prior	2002	
9	Administrative expenses	26	105,695	105,307	146,849
a	Personnel expenses	27	50,984	50,700	66,359
aa	Wages and salaries	28	37,805	37,726	49,611
ab	Social and health insurance	29	13,179	12,974	16,748
b	Other administrative expenses	30	54,711	54,607	80,490
10	Use of reserves and provisions for tangible and intangible fixed assets	31	0	0	0
11	Depreciations, creation and use of reserves and provisions	32	5,577	16,807	22,898
a	Depreciation of tangible fixed assets	33	3,861	11,031	17,182
b	Amortisation of intangible fixed assets	34	1,716	5,776	5,716
12	Release of provisions and reserves for receivables and guarantees, recoveries of receivables previously written off	35	0	0	0
13	Depreciations, creation and use of provisions and reserves for receivables and guarantees	36	0	0	0
14	Release of provisions for participation interests with controlling and significant influence	37	0	0	0
15	Losses from transport of participation interests with controlling and significant influence, provisioning for participation interests	38	0	0	0
16	Release of other reserves	39	0	0	0
17	Creation and use of other reserves	40	-350	-7,713	-1,145
18	Share of profits or losses from participation interests with controlling and significant influence	41	7,835	0	0
19	Profit or loss for the period from ordinary operations before taxation	42	115,107	146,183	-80,398
20	Extraordinary income	43	0	0	448,726
21	Extraordinary expenses	44	0	0	107,601
22	Extraordinary profit or loss for the period before taxation	45	0	0	341,125
23	Income tax	46	29,693	41,874	29,506
a	Current income tax	47	31,394	44,806	29,085
b	Deferred income tax	48	-1,701	-2,932	421
24	Profit and loss for the period after tax	49	85,414	104,309	231,221
	Control number	50	2,243,408	2,308,729	2,615,544

Statement of Changes in Equity for the Year Ended 31 December 2004

	2004	2003	2002
1. Share capital			
Opening balance	70,000	70,000	70,000
Increase	-	-	-
Decrease	-	-	-
Closing balance	70,000	70,000	70,000
2. Treasury shares	-	-	-
3. Share premium	-	-	-
4. Reserve funds			
Opening balance	14,000	14,000	14,000
Increase	-	-	-
Decrease	-	-	-
Closing balance	14,000	14,000	14,000
5. Other funds from profit			
Opening balance	2,747	3,843	2,940
Allocation of the prior year's profit to the social fund	-	-	1,600
Use of the social fund	-1,103	-1,096	-697
Closing balance	1,644	2,747	3,843
6. Capital funds	-	-	-
7. Gains and losses from the revaluation not included in profit/loss	-	-	-
8. Retained earnings			
Opening balance	321,818	90,597	311,897
Allocation of the prior year's profit	104,309	231,221	-
Payment of dividends	-	-	-221,300
Closing balance	426,127	321,818	90,597
9. Accumulated losses	-	-	-
10. Profit/loss for the year after tax	85,414	104,309	231,221
11. Dividends paid	-	-	403,500

Notes to the Financial Statements for the Year Ended 31 December 2004

1. Background Information and Principle Operations

Incorporation and Characteristics of the Business

Investiční společnost České spořitelny, a. s. (hereinafter "ISČS" or the "Company") was incorporated following its registration in the Register of Companies held at the Regional Court in Prague, Section B, File 1154 on 27 December 1991.

As part of the transformation of the Financial Group of Česká spořitelna, a. s., the Company's name was changed from Spořitelní investiční společnost, a. s. to Investiční společnost České spořitelny, a. s. This change was recorded in the Register of Companies pursuant to a resolution of the Municipal Court in Prague dated 15 August 2001.

Česká spořitelna, a. s. acts as a depositary of the Company.

Shareholders of the Company

As of 31 December 2004, the Company's sole shareholder is Česká spořitelna which holds 100 percent of the Company's issued share capital.

The Company's Registered Office Address

Investiční společnost České spořitelny, a. s.
Na Perštýně 342/1
110 00 Praha 1, Staré Město
Czech Republic

Members of Statutory Bodies as of 31 December 2004:

Board of Directors

- > Petr Zapletal - Chairman
- > Martin Burda - member
- > Guntard Gutmann - member

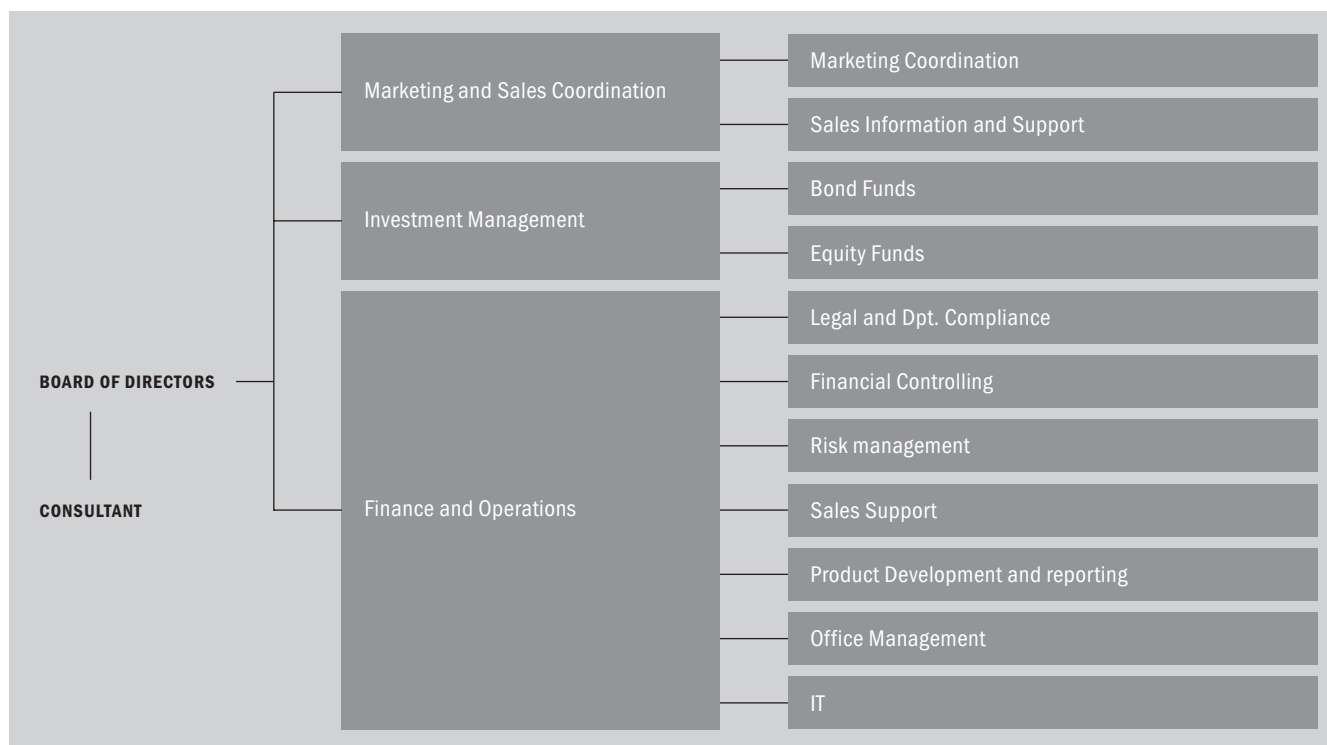
Supervisory Board

- > Martin Škopek - Chairman
- > Heinz Bednar - member
- > Günther Mandl - member

As of 31 December 2004, Martin Burda resigned from the Company's Board of Directors.

On 10 December 2004, Wolfgang Traindl resigned from his position as the Chairman of the Supervisory Board. Following the decision of the sole shareholder, Martin Škopek became a new member of the Supervisory Board and was elected Chairman of the Supervisory Board.

Organisational Structure



_____ The organisational structure of ISČS is defined in the Organisational Rules which set out reporting lines and accountability of individual departments of the Company. The current organisational structure is valid from 1 January 2005.

_____ As of 31 December 2004, the Company managed the following twelve open-ended mutual funds:

- > ISČS, a. s. – Fond řízených výnosů otevřený podílový fond
- > ISČS, a. s. – Výnosový otevřený podílový fond
- > ISČS, a. s. – Sporomix 5
- > ISČS, a. s. – Sporomix 3
- > ISČS, a. s. – Sporinvest otevřený podílový fond
- > ISČS, a. s. – Sporobond otevřený podílový fond
- > ISČS, a. s. – Sporetrend otevřený podílový fond
- > ISČS, a. s. – Bondinvest otevřený podílový fond
- > ISČS, a. s. – Eurotrend otevřený podílový fond
- > ISČS, a. s. – Globaltrend otevřený podílový fond z fondů
- > ISČS, a. s. – Trendbond otevřený dluhopisový podílový fond
- > ISČS, a. s. – ČS korporátní dluhopisový otevřený podílový fond

Principle Operations

_____ The Company carries on business pursuant to a licence issued by the Czech Finance Ministry (to the extent set out in the Investment Companies and Funds Act, as amended). The Company's principal activities involve the collecting of finance by issuing unit certificates and the formation of mutual funds and the management of assets held in the mutual funds under statutes of these funds; the purchase, sale, and borrowing of securities; and proprietary borrowing of securities. The Company operates solely on the Czech market, and the revenues are generated in the Czech Republic.

Significant Events

_____ During the second half of 2004, ISČS relocated its head office; the change of the registered office address was recorded in the Register of Companies on 27 October 2004.

2. Basis of Preparation

_____ The Company's accounting books and records are maintained and the financial statements were prepared in accordance with the Accounting Act 563/1991 Coll., as amended; the Regulation 500/2002 Coll. which provides implementation guidance on certain provisions of the Accounting Act for reporting entities that are businesses maintaining double-entry accounting records, as amended by the Regulation 472/2003 Coll.; and Czech Accounting Standards for Businesses.

_____ The financial statements are prepared on the accruals basis of accounting whereby the effects of transactions and other events are

recognised when they occur and are reported in the financial statements of the periods to which they relate.

_____ The presentation of financial statements requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and their reported amounts of revenues and expenses during the financial reporting period. Actual results are based on information available as of the balance sheet date and could differ from these estimates.

_____ The financial statements include the balance sheet, income statement, statement of changes in equity and notes.

_____ All figures are stated in thousands of Czech Crowns (CZK), unless stated otherwise.

_____ The financial statements and notes thereto are unconsolidated.

3. Accounting Policies

3.1. New Accounting Policies

_____ No accounting methods were changed in the year ended 31 December 2004.

3.2. Valuation of Assets and Liabilities

3.2.1. Tangible and Intangible Assets

_____ Tangible and intangible assets are stated at cost. Tangible assets costing between CZK 10,000 and CZK 40,000 are depreciated over two years. Assets costing between CZK 1,000 and CZK 10,000 are charged to operations in the year of acquisition. Intangible assets costing less than CZK 60,000 are expensed through 'Other operating expenses' in the year of acquisition. Intangible assets costing between CZK 10,000 and CZK 60,000 are maintained in the underlying operational records.

_____ The following table summarises accounting methods and depreciation periods by category of assets:

Assets	Group	Method	Depreciation period
Vaults and equipment	3	Straight-line	12 years
Machinery and equipment	2	Straight-line	6 years
Software and appliances	1	Straight-line	4 years

3.2.2. Securities

_____ In compliance with ISČS's plan and strategy, all securities, except for participation interests, are included in the available for sale portfolio on acquisition.

_____ Securities are valued at cost upon acquisition. The cost includes relevant direct transaction costs.

ISČS measures the securities for which the current price is available (unit certificates) at fair value as of the last day of each month. As of 31 December, all securities are remeasured to fair value. Fair value of securities is determined as equal to the market price applicable as of the date of the fair value measurement, if the securities can be marketed for that price. If fair value cannot be determined as equal to the market price, fair value is established as an adjusted value of the securities based on the information available and the best estimates of the Company's management. ISČS records acquisitions and disposals of securities upon settlement of the transaction.

3.2.3. Participation Interest with Controlling and Significant Influence

Participation interests with controlling and significant influence are recorded at purchase cost. Provisions against participation interests whose carrying value exceeds the share of the entity's equity are established as equal to the excess of the purchase cost over the share of the entity's equity.

3.2.4. Provisions

Provisions are made for assets which are not remeasured to fair value or are not valued using the equity method of accounting in cases where temporary impairment is identified on the basis of stock count information.

The Company makes provisions on a gross basis, that is, prior year provisions are released into income and new provisions against individual assets are charged to expenses as of the balance sheet date.

Provisions are subject to documentation count when their amount and appropriateness are assessed.

3.2.5. Reserves

Reserves are liabilities of uncertain timing or amount. A reserve is recognised when ISČS has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reasonably reliable estimate can be made of the amount of the obligation. Reserve balances are reviewed annually, and the reserves are reversed or carried forward based on the review results.

3.2.6. Income Tax

The income tax base is calculated from the current year profit/(loss) by adding all non-tax deductible costs and subtracting non-taxable income and items adjusting the tax base. The income tax liability is calculated at the year-end pursuant to the Income Taxes Act 586/92 Coll., as amended. The tax rate for 2004 is 28 percent.

Interest receivable from local bonds issued during 1997 or before is subject to a withholding tax of 25 percent collected at the source, which represents final taxation. Withholding tax on the share in the liquidation

balance of the joint stock company reduced by its acquisition cost and on received local dividends is borne by the entity paying the dividends and amounts to 15 percent. This withholding tax represents final taxation.

The deferred tax liability (asset) is determined from all temporary differences between the reported carrying amount of assets and liabilities and their value for tax purposes. Deferred tax is calculated using the balance sheet liability method. The balance sheet liability method focuses on all temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The amount of a deferred tax asset or liability is calculated as equal to the resulting difference multiplied by the income tax rate set out in the Income Taxes Act 586/1992 Coll. that is expected to apply in the period when the tax liability is settled or the asset realised.

Deferred tax liabilities are always recognised while deferred tax assets are recognised only up to the amount of probable future taxable income against which the Company wants to offset the deferred tax asset. If the deferred tax asset is not likely to be realised, it is appropriately reduced.

3.2.7. Translation of Foreign Currencies

ISČS translates amounts denominated in foreign currencies at the foreign exchange rate promulgated by the Czech National Bank as of the relevant date. Exchange rate gains and losses arising from the translation of assets and liabilities in foreign currencies are recorded to income or expenses, as appropriate which are reported within the income statement line 'Net profit or loss from financial operations.'

3.3. Income and Expenses Recognition Policies

3.3.1. Interest Income

Interest income from current and term accounts placed with banks is posted to income against the appropriate balance sheet account based on a bank statement. At the balance sheet date, the prorated amount of interest from term deposits is recognised using the accruals principle, i.e., in the period to which it relates irrespective of the time of its receipt. Accrued interest income related to the assets is accounted for together with these assets on the face of the balance sheet.

3.3.2. Fees and Commissions

Fees and commissions are accrued and posted to the income statement, except for the commission paid upon the acquisition of securities where the commission is part of the cost of the security.

3.3.3. Prior Period Items

Items from a period other than the one to which they relate for accounting purposes (corrections of income or expenses of previous periods) are recognised as income or expenses in the income statement in the current year, unless they represent fundamental errors.

3.3.4. Recognition Date

_____ The date of the recognition of the transaction is principally the trade date and the settlement date relating to the transactions with securities; the date on which ownership or title to third party assets arises or expires; the date on which a receivable and payable originates, changes or expires; and the date on which damage, deficit, surplus, movements in assets within the entity or any other accounting matters are noted.

3.4. Off Balance Sheet Accounts

_____ Off balance sheet accounts are used to make double entries in respect of assets and liabilities which are not recorded in balance sheet accounts, specifically future fixed and potential assets and liabilities.

3.5. Used Financial Instruments

3.5.1. Risk Management

_____ ISČS monitors the market risks associated with its portfolio on an ongoing basis. The low number of transactions and resultant stability of the portfolio make its risk exposure very stable. The portfolio primarily comprises unit certificates of open-ended mutual funds managed by ISČS for which a sound monitoring, measuring and assessment framework was

established together with an appropriate tool set which provides for mediated management of the Company's risk via the funds' risk management.

_____ In managing the funds, ISČS employs a whole range of tools influencing (and namely eliminating) the risk exposure of the particular portfolios with significant attention being paid to market risks.

_____ Apart from statutory restrictions, the funds are subject to a set of internal limits which have a direct impact on the maximum FX exposure, the modified duration zone within which the individual funds fall, equity allocation on the particular markets by their risk profiles, rating structure of portfolios (which represents an immediate reduction of credit risk, but is closely connected with the elimination of the market risk due to the direct impact on the volatility of the relevant instrument), etc. The relevant limits are applied to the individual funds to correspond with the funds' nature.

_____ Value at Risk of all funds is assessed regularly and broken down to FX VaR, Interest Rate VaR and Equity VaR and to the global value. The above values serve as a basis for the identification of critical risk areas/segments. This identification has an impact on the re-investment process. Limits are also set up for VaR of the individual funds.

_____ Adherence to the above limits is reviewed on an ongoing basis together with the effectiveness of the setting of the limits. The limits are adjusted as needed.

4. Additional Information on the Financial Statements

4.1. Amounts Due from Banks

Amounts due from banks	2004	2003	2002
Payable on demand	17,463	139,257	9,544
Term deposits	100,098	-	10,003
Total	117,561	139,257	19,547

_____ The residual maturity and repricing dates for all receivables from banks are below three months.

4.2. Securities

_____ All securities are maintained in the 'available for sale' portfolio.

Shares and Unit Certificates

2004	Quantity	Nominal value in CZK	Rate in CZK	Total fair value
Sporinvest OPF	192,516,416	1	1.7290	332,861
Výnosový OPF	86,000,000	1	1.4618	125,715
Eurotrend OPF	17,963,635	1	0.4714	8,468
ESPA Zajištěný fond 1	13,014	100	101.1100	1,316
Total unit certificates	296,493,065			468,360

_____ A change in the fair value of unit certificates as of 31 December 2004 in the amount of CZK 13,540 thousand (2003: CZK 5,561 thousand, 2002: CZK -25,445 thousand) was recognised in 'Net profit or loss from financial operations'.

2003	Quantity	Nominal value in CZK	Rate in CZK	Total fair value
Sporinvest OPF	37,752,540	1	1.6867	63,677
Výnosový OPF	159,688,498	1	1.3275	211,987
Eurotrend OPF	17,963,635	1	0.4729	8,495
Globaltrend FF	30,689,192	1	0.4370	13,411
Sporomix 3	47,812,462	1	1.0748	51,389
Total unit certificates	293,906,327			348,959

_____ The Marienbad Waters shares were sold during 2003. The gain on the sale of CZK 2,174 thousand was recorded into revenues and recognised in 'Net profit or loss from financial operations'.

2002	Quantity	Nominal value in CZK	Rate in CZK	Total fair value
Sporinvest OPF	99,865	1	1.6506	165
Sporobond OPF	42,739,761	1	1.4859	59,341
Výnosový OPF	737,199	1	1.3010	959
Merkur OPF	61,967,049	1	1.0192	63,157
Eurotrend OPF	17,963,635	1	0.4073	7,317
Globaltrend FF	30,689,192	1	0.4056	12,447
Sporomix 3	219,075,509	1	1.0071	220,631
Total unit certificates	373,272,210			364,017
Marienbad Waters	66	100,000	Not traded	70
Total shares and participation certificates	373,272,292			364,087

4.3. Participation Interests

_____ Participation interests include the shares of Spořitelní kapitálová společnost, a. s. which is primarily engaged in the purchase of goods for the purpose of their resale and sale, and the provision of organisational and economic advice and business consulting. The firm is registered at Poláčkova 1976/2, Prague 4. The shares of Spořitelní kapitálová společnost, a. s. are not publicly traded.

_____ On 26 October 2004, the Company effected a business transaction involving the exchange of ordinary shares with priority shares. The Company exchanged ordinary shares with a cost of CZK 45,000 thousand for priority shares of CZK 75,460 thousand. The balance of shares in the balance sheet rose from CZK 45,000 to CZK 75,460 thousand; the gain arising from the exchange of CZK 30,460 thousand was recorded to income.

_____ The entity entered into liquidation at the end of 2004, whereby ISČS assumed a liquidation balance of CZK 83,295 thousand after deduction of the withholding tax. The difference between the share in the liquidation balance of the amount of the participation interest as of the liquidation date of CZK 7,835 thousand is reported in the income statement as 'Share in profit or loss of participation interests with controlling or substantial influence'.

2003	Quantity	Share equity	Purchase price	Nominal value in CZK per share	Share capital	Equity
Spořitelní kapitálová společnost, a. s.	16	74,952	45,000	4,500,000	1,026,000	1,068,060
2002	Quantity	Share equity	Purchase price	Nominal value in CZK per share	Share capital	Equity
Spořitelní kapitálová společnost, a. s.	16	73,656	45,000	4,500,000	1,026,000	1,049,600

4.4. Intangible and Tangible Assets

Intangible Fixed Assets

	Software	Investments under construction	Total
Cost			
Balance at 1 Jan 2002	32,486	183	32,669
Additions	2,151	3,083	5,234
Disposals	-94	-2,613	-2,707
Balance at 31 Dec 2002	34,543	653	35,196
Additions	4,587	8,589	13,176
Disposals	-22,794	-7,309	-30,103
Balance at 31 Dec 2003	16,336	1,933	18,269
Additions	6,662	5,311	11,973
Disposals	-229	-7,106	-7,335
Balance at 31 Dec 2004	22,769	138	22,907
Accumulated amortisation			
Balance at 1 Jan 2002	19,400	-	19,400
Amortisation	5,716	-	5,716
Accumulated amortisation of disposals	-94	-	-94
Balance at 31 Dec 2002	25,022	-	25,022
Amortisation	10,949	-	10,949
Accumulated amortisation of disposals	-22,794	-	-22,794
Balance at 31 Dec 2003	13,177	-	13,177
Amortisation	1,716	-	1,716
Accumulated amortisation of disposals	-229	-	-229
Balance 31 Dec 2004	14,664	-	14,664
Net book value at 31 Dec 2002	9,521	653	10,174
Net book value at 31 Dec 2003	3,159	1,933	5,092
Net book value at 31 Dec 2004	8,105	138	8,243

Tangible Fixed Assets

	Buildings	Movable as- sets and sets of movable assets	Low value tangible assets	Works of art	Acquisition of tangible fixed assets	Total
Cost						
Balance at 1 Jan 2002	11,022	83,795	4,129	517	1,378	100,841
Additions	-	4,076	673	-	17,909	22,658
Disposals	-11,022	-15,320	-2,009	-147	-14,037	-42,535
Balance at 31 Dec 2002	-	72,551	2,793	370	5,250	80,964
Additions	-	7,680	324	-	2,751	10,755
Disposals	-	-1,559	-357	-	-8,001	-9,917
Balance at 31 Dec 2003	-	78,672	2,760	370	-	81,802
Additions	-	3,383	182	-	5,205	8,770
Disposals	-	-55,168	-788	-	-5,193	-61,149
Balance at 31 Dec 2004	-	26,887	2,154	370	12	29,423
Accumulated depreciation						
Balance at 1 Jan 2001	7,773	57,826	3,871	-	-	69,470
Depreciation incl. NBV of assets disposed of	3,249	15,553	443	-	-	19,245
Accum. depreciation of disposals	-11,022	-15,320	-2,009	-	-	-28,351
Balance at 31 Dec 2002	-	58,059	2,305	-	-	60,364
Depreciation incl. NBV of assets disposed of	-	10,727	367	-	-	11,094
Accum. depreciation of disposals	-	-1,559	-357	-	-	-1,916
Balance at 31 Dec 2003	-	67,227	2,315	-	-	69,542
Depreciation incl. NBV of assets disposed of	-	9,673	358	-	-	10,031
Accum. depreciation of disposals	-	-55,168	-788	-	-	-55,956
Balance at 31 Dec 2004	-	21,732	1,885	-	-	23,617
Net book value at 31 Dec 2002	-	14,492	488	370	5,250	20,600
Net book value at 31 Dec 2003	-	11,445	445	370	-	12,260
Net book value at 31 Dec 2004	-	5,155	269	370	12	5,806

Tangible Fixed Assets Held under Finance Lease Agreements

_____ In the year ended 31 December 2003, the Company paid the last instalment for assets held under finance lease agreements. In prior periods, the Company was contracted to pay instalments for the finance lease of passenger cars as follows:

	at 31 Dec 2004	at 31 Dec 2003	at 31 Dec 2002
Total lease payments	-	58	231
Paid through 31 December	-	58	173
Payable within 1 year	-	-	58

4.5. Other Assets

Trade Receivables

Trade receivables	at 31 Dec 2004	at 31 Dec 2003	at 31 Dec 2002
Receivables from related parties	46,808	39,009	41,680
Other trade receivables	87	139	213
Total	46,895	39,148	41,893

_____ ISČS carries no trade receivables past their due dates.

Receivables from Related Parties

Receivables from related parties	at 31 Dec 2004	at 31 Dec 2003	at 31 Dec 2002
ISČS, a. s. - OPF Bondinvest	404	507	538
ISČS, a. s. - OPF Sporinvest	23,596	16,773	19,706
ISČS, a. s. - OPF Sporobond	9,943	12,603	10,908
ISČS, a. s. - OPF Sportrend	3,815	1,760	1,055
ISČS, a. s. - Fond řízených výnosů OPF	946	947	1,026
ISČS, a. s. - OPF Výnosový	1,255	1,124	1,217
ISČS, a. s. - Sporomix 5	396	354	355
ISČS, a. s. - Sporomix 3	478	649	998
ISČS, a. s. - OPF Merkur	-	-	133
ISČS, a. s. - OPF Eurotrend	702	493	287
ISČS, a. s. - OPF Globaltrend FF	475	283	185
ISČS, a. s. - ODPF Trendbond	1,685	2,303	1,437
ISČS, a. s. - ČS korporátní DOPF	1,105	-	-
Česká spořitelna, a. s.	2,008	1,213	3,824
ÖCI, GmbH	-	-	11
Total	46,808	39,009	41,680

_____ Receivables from the open-ended mutual funds managed by ISČS mainly comprise management and selling fees for December 2004. The receivable from ČS primarily includes advance payments for services relating to the lease and prepayments for fees for the payment of dividends from OPF Bondinvest.

4.6. Tax Receivables

_____ For detailed information on tax receivables and deferred tax asset refer to Notes 4.27 and 4.29.

4.7. Deferred Expenses and Accrued Income

Deferred expenses and accrued income in CZK thousand	2004	2003	2002
Accrued income	-	-	223
Deferred expenses	1,096	1,543	526
Total	1,096	1,543	749

_____ Deferred expenses principally comprise insurance expenses, data and maintenance services and other services.

4.8. Other Liabilities**Trade Payables**

Trade payables	at 31 Dec 2004	at 31 Dec 2003	at 31 Dec 2002
Payables to related parties	4,987	3,133	11,587
Other trade payables	533	630	3,711
Total	5,520	3,763	15,298

_____ ISČS carries no payables past their due dates.

Payables to Related Parties

Payables to related parties	at 31 Dec 2004	at 31 Dec 2003	at 31 Dec 2002
Česká spořitelna, a. s.	4,975	2,901	8,131
Leasing ČS, a. s.	-	-	58
Informatika ČS, a. s.	12	-	-
ÖCI, GmbH	-	232	3,398
Total	4,987	3,133	11,587

_____ Payables to Česká spořitelna, a. s. principally include provided services billed and not yet paid, consisting predominantly of selling fees for December 2004. Payables to related parties presented in the table do not include payables to Penzijní fond ČS arising under the contribution to the retirement benefit scheme for employees of CZK 51 thousand (2003: CZK 48 thousand, 2002: CZK 71 thousand) which are included in payables to staff. In prior periods, the payables were included in 'Other Payables'.

4.9. Tax Payables and the Deferred Tax Liability

_____ For detailed information on tax payables and the deferred tax liability refer to Notes 4.28 and 4.29.

4.10. Other Payables

Payables	at 31 Dec 2004	at 31 Dec 2003	at 31 Dec 2002
Estimated payables	22,522	16,763	20,478
Payroll deductions – employees' retirement benefit scheme	-	-	71
Other	22,522	16,763	20,549
Total			

_____ Estimated payables are primarily comprised of annual bonuses of the Company's managers including contributions to social security and health insurance and unbilled delivery for the supplies performed shortly before the year-end.

4.11. Reserves

CZK thousand	2004	2003	2002
Reserve for foreign exchange losses			
Balance at 1 January	0	0	8
Creation	-	-	-
Use	-	-	-8
Balance at 31 December	0	0	0
Reserve for contractual fines			
Balance at 1 January	0	7,000	7,000
Creation	-	-	-
Use	-	-7,000	-
Balance at 31 December	0	0	7,000
Reserve for HR program			
Balance at 1 January	0	913	2,400
Creation	-	-	913
Use	-	-913	-2,400
Balance at 31 December	0	0	913
Reserve for legal counsel costs			
Balance at 1 January	550	350	350
Creation	-	200	350
Use	350	-	-350
Balance at 31 December	200	550	350
Reserve for penalties			
Balance at 1 January	350	350	-
Creation	-	-	350
Use	-	-	-
Balance at 31 December	350	350	350
Total at 31 December	550	900	8,613

_____ A portion of the reserve for legal counsel costs was reversed in 2004 due to redundancy. In the year ended 31 December 2003, the Company paid a penalty of CZK 7,000 thousand and used the reserve. The reserves for the HR program were used to cover increased costs related to the Company's restructuring in the years ended 31 December 2002 and 2003.

4.12. Share Capital

_____ The share capital of ISČS consists of 700 registered shares in a certificate form, not publicly marketable, with a nominal value of CZK 100,000, i.e. CZK 70,000 thousand.

4.13. Distribution of Profit

_____ The balance of the Company's statutory reserve fund is equal to 20 percent of share capital as required by law.

_____ The profit for the year ended 31 December 2003 of CZK 104,309 thousand was transferred to retained earnings on the basis of a decision of the sole shareholder acting in the capacity of the general meeting under Section 190 of the Commercial Code.

_____ The profit for the year ended 31 December 2004 of CZK 85,414 thousand will be allocated on the basis of a decision of the sole shareholder acting in the capacity of the general meeting under Section 190 of the Commercial Code.

4.14. Off Balance Sheet Assets and Liabilities

_____ ISČS has no off balance sheet assets and liabilities.

4.15. Interest Income and Other Income

Interest and similar income	2004	2003	2002
Income from receivables from banks	1,866	749	7,635
Income from securities	-	31,260	36,883
Other	-	-	2
Total	1,866	32,009	44,520

Income from securities comprises both accrued interest income set out in the issue term and conditions of debt securities, and income from the release of the difference between the cost and nominal value of debt securities (secondary interest income).

4.16. Income from Shares and Participation Interest

Income from shares and participation interest	2004	2003	2002
Income from companies with significant influence	-	-	211
Income from other shares and participation interests	-	985	2,225
Total	0	985	2,436

4.17. Commission and Fee Income

Income is predominantly composed of management fees paid by individual funds as follows.

Income – OPF management fees	2004	2003	2002
ISČS, a. s. – OPF Sporinvest	213,871	167,505	154,696
ISČS, a. s. – OPF Sporobond	114,125	138,911	63,281
ISČS, a. s. – OPF Sporotrend	26,476	12,264	11,457
ISČS, a. s. – OPF Bondinvest	4,205	4,481	4,056
ISČS, a. s. – Fond řízených výnosů OPF	11,068	10,817	16,945
ISČS, a. s. – OPF Výnosový	12,437	11,934	17,841
ISČS, a. s. – Sporomix 5	3,468	2,816	3,081
ISČS, a. s. – Sporomix 3	5,127	7,716	10,675
ISČS, a. s. – OPF Merkur	-	535	685
ISČS, a. s. – OPF Eurotrend	7,260	2,984	2 555
ISČS, a. s. – OPF Globaltrend FF	2,834	1,631	1,428
ISČS, a. s. – ODPF Trendbond	20,435	23,457	8,780
ISČS, a. s. – ČS korporátní DOPF	9,602	-	-
Total	430,908	385,051	295,480

4.18. Commission and Fee Expenses

Fee expenses are predominantly composed of the fee paid to Česká spořitelna, a. s. in respect of the mediation of the sale of unit certificates as equal to 65 percent of the management fee.

4.19. Net Profit or Loss from Financial Operations

Net profit or loss from financial operations	2004	2003	2002
From transactions with securities	48,001	101,181	-51,048
From foreign exchange differences	-111	-260	-166
total	47,890	100,921	-51,214

_____ The net profit from transactions with securities in the year ended 31 December 2004 comprised profit generated from the exchange of shares of Spořitelní kapitálová společnost, a. s. (CZK 30 million), realised profit and loss on the sale of unit certificates and the year-on-year increase in the price of unit certificates in the portfolio. The net profit from transactions with securities for the year ended 31 December 2003 primarily consists of the profit realised upon the maturity of debt securities of Nová Huť (CZK 88 million). The loss for the year ended 31 December 2002 was caused by a year-on-year decrease in the price of unit certificates in the portfolio and the revaluation of the Nová Huť debt securities in respect of the low probability of the principal being repaid.

4.20. Other Operating Income and Expenses

_____ Other operating income primarily consists of income from the sale of assets and material; other operating expenses principally comprise net book values of the sold assets and material, insurance, fines, etc.

4.21. Administrative Expenses

Administrative expenses	2004	2003	2002
Staff costs	50,984	50,700	66,359
Other administrative expenses	54,711	54,607	80,490
of which: audit fees	1,376	1,298	1,487
legal and tax consulting	451	3,667	2,327
Total	105,695	105,307	146,849

_____ Other administrative expenses principally include costs of advertising, information technologies and advisory services.

4.22. Employees and Managers

_____ The average number of employees and managers and staff costs for 2004, 2003 and 2002:

2004	Number of employees	Salaries	Social security and health insurance	Social expenses
Employees	22	16,414	5,842	362
Managers including directors	9	21,391	7,337	194
Total	31	37,805	13,179	556

2003	Number of employees	Salaries	Social security and health insurance	Social expenses
Employees	22	18,089	6,032	336
Managers including directors	10	19,637	6,942	225
Total	32	37,726	12,974	561

2002	Number of employees	Salaries	Social security and health insurance	Social expenses
Employees	41	24,216	7,831	853
Managers including directors	17	25,395	8,917	353
Total	58	49,611	16,748	1,206

_____ Social expenses are included in other administrative expenses.

_____ All the Company's employees have the right to undergo preventive medical check-ups covered by the Company. All interested employees of the Company are eligible for inclusion in the retirement benefit scheme provided by the Company.

_____ Members of the Company's Board of Directors are entitled to use company cars for both business and private purposes and have access to private health care services.

4.23. Bonuses and Loans to Members of Statutory and Supervisory Bodies

During the year ended 31 December 2004 and in the previous two periods, the members of the Company's Board of Directors and Supervisory Boards received no directors' fees or bonuses.

4.24. Other Expenses and Income

Income	at 31 Dec 2004	at 31 Dec 2003	at 31 Dec 2002
Share in the liquidation balance of SKS, a. s.	7,835	-	-
Total	7,835	-	-

Expenses	at 31 Dec 2004	at 31 Dec 2003	at 31 Dec 2002
Depreciation and amortisation of tangible and intangible fixed assets	5,577	16,807	22,898
Creation of other reserves	-	-	1,613
Use of other reserves	-350	-7,713	-2,758
Total	5,227	9,094	21,753

For more detailed information on the creation and use of reserves refer to Note 4.11.

In prior periods, the use of reserves was recorded to revenues. With effect from 2003, the use of reserves has been accounted for as a decrease in costs for the relevant type of a reserve.

4.25. Extraordinary Expenses and Income

	2004	2003	2002
Extraordinary income	-	-	448,726
Extraordinary expenses	-	-	107,601
Total	-	-	341,125

In the year ended 31 December 2002, extraordinary income and expenses included, as a result of the change in the accounting method, the revaluation of securities as of 1 January 2002.

4.26. Income Tax

The corporate income tax charge for the year ended 31 December 2004 was calculated at CZK 31,431 thousand (2003: CZK 43,807 thousand; 2002: CZK 28,742 thousand).

CZK thousand	at 31 Dec 2004	at 31 Dec 2003	at 31 Dec 2002
Income tax charge for the year	31,431	44,807	28,742
+ additional tax payment/reduction for prior periods	-37	-1	343
Resulting income tax charge (liability)	31,394	44,806	29,085
of which: from current activities	31,394	44,806	29,085
from extraordinary activities	-	-	-

4.27. Tax Receivable from the State

As of 31 December 2004, the tax receivable arising from income tax prepayments amounted to CZK 5,233 thousand (i.e. paid prepayments exceed the tax liability for 2004). As of both 31 December 2003 and 2002, ISČS had no tax receivables.

4.28. Tax Payable to the State

As of 31 December 2004, the tax payable of CZK 813 thousand comprises the payable from the employee income tax, VAT and road tax. The tax payable as of 31 December 2003 amounted to CZK 31,371 thousand (the corporate income tax payable of CZK 30,443 thousand). The tax payables as of 31 December 2002 amounted to CZK 22,726 thousand (the corporate income tax: CZK 22,093).

4.29. Deferred Tax Asset/Liability

CZK thousand	2004	2003	2002
Difference between the accounting and tax carrying value of fixed assets	1,566	3,653	12,800
Other temporary differences	-	-	-42
Total	1,566	3,653	12,758
Tax rate	26%	28%	31%
Deferred tax liability	407	1,023	3,955
Outstanding social security and health insurance related to bonuses for 2004 and compensated vacations	3,974	-	-
Tax rate	26%		
Deferred tax asset	1,033	-	-
Tax non-deductible reserve	200		
Tax rate	26%		
Deferred tax asset	52	-	-
Deferred tax liability	678	-	-

As of the balance sheet date, the deferred tax liability was calculated using the 26 percent tax rate applicable for 2005.

5. Related parties

Related parties are members of the Česká spořitelna, a. s. Financial Group and the open-ended mutual funds managed by ISČS. For information on receivables from and payables to the related parties refer to Notes 4.5 and 4.8.

As of 31 December 2004, ISČS managed twelve open-ended mutual funds; the aggregate value of managed assets as of that date was CZK 59,849,636 thousand (as of 31 December 2003: CZK 48,275,314 thousand).

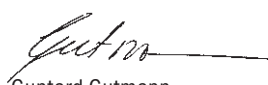
6. Significant post balance sheet events

In December 2004, the Board of Directors of the Company approved the transfer of the Sales Support Department to Česká spořitelna, a. s. as of 1 January 2005. The new organisational structure of ISČS was approved as of that date.

The Company is not aware of any other significant events between the balance sheet date and the date when the financial statements were authorised for issue.



Petr Zapletal
Chairman of the Board of Directors
Investiční společnost České spořitelny, a. s.



Guntard Gutmann
Member of the Board of Directors
Investiční společnost České spořitelny, a. s.

Auditor's Report to the Shareholders of the Fund Investiční společnost České spořitelny, a. s., Sporinvest – otevřený podílový fond

Having its registered office at: Praha 1, Staré Město, Na Perštýně 342/1

Identification number: 44796188

Principal activities: open – ended mutual fund

We have audited the accompanying financial statements of the fund Investiční společnost České spořitelny, a. s., Sporinvest – otevřený podílový fond for the year ended 31 December 2004. These financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on the financial statements, taken as a whole, based on our audit.

We conducted our audit in accordance with the Act on Auditors and the auditing standards issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and conduct the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, the accounting records and other evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Company in the preparation of the financial statements, as well as evaluation of the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion on the financial statements.

In our opinion, the financial statements give a true and fair view, in all material respects, of the assets, liabilities, equity and financial position of the fund Investiční společnost České spořitelny, a. s., Sporinvest – otevřený podílový fond as of 31 December 2004 and of the results of its operations for the year then ended in accordance with the Accounting Act and applicable Czech regulations.

In Prague on 14 March 2005



Audit firm:

Deloitte s. r. o.

Certificate no. 79

Represented by:

Michal Petrman, statutory executive



Statutory auditor:

Michal Petrman

Certificate no. 1105

Balance Sheet as at 31 December 2004

Assets (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Receivables from banks	01	6,404,379	3,568,802	4,298,192
of which: a/current accounts	02	6,404,379	3,095,567	3,616,285
b/term deposits	03		473,235	681,907
c/repo transactions	04			
2 Receivables from non-banking entities	05			
of which: repo transactions	06			
3 Debt securities	07	30,912,343	23,797,446	22,975,547
a/issued by the government	08	8,222,564	5,837,087	5,152,175
b/issued by other entities	09	22,689,779	17,960,359	17,823,372
4 Shares, unit certificates and other participation interests	10	3,959,952	1,723,400	
5 Other assets	11	106,826	25,527	28,548
a/derivatives	12	88,321	1,112	
b/receivables from securities trading	13			
c/receivables from taxes	14	11,211	17,009	
d/other assets	15	7,294	7,406	28,548
6 Deferred expenses and accrued income	16		2,460	
Total assets	17	41,383,500	29,117,635	27,302,287

Liabilities (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Payables to banks	18			
of which: repo transactions	19			
2 Payables to non-banking entities	20			
of which: repo transactions	21			
3 Other liabilities	22	301,245	49,576	118,431
a/derivatives	23	241,039	4,678	27,379
b/liabilities from securities trading	24		23	
c/liabilities from taxes	25			16,670
d/other liabilities	26	60,206	44,875	74,382
4 Deferred income and accrued expenses	27	4,481	2,884	3,381
5 Reserves	28			
of which: for taxes	29			
6 Share premium	30	12,300,433	7,720,264	7,190,181
7 Other funds from profit	31	4,059,802	3,611,982	3,002,961
8 Capital funds	32	23,741,830	17,235,126	16,459,061
9 Gains or losses from revaluation	33	171,351	49,984	-80,749
a/from assets and liabilities	34	257,196	48,683	-53,370
b/from hedging derivatives	35	-85,845	1,301	-27,379
10 Retained earnings or accumulated losses from previous periods	36			
11 Profit or loss for the accounting period	37	804,358	447,819	609,021
Total liabilities	38	41,383,500	29,117,635	27,302,287
of which: equity	39	41,077,774	29,065,175	27,180,475

Off Balance Sheet Accounts at 12/31/2004

Off balance sheet assets (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Amounts due from repo transactions	01			
2 Amounts due from fixed term transactions	02	8,720,010	3,876,369	1,739,703
a/with interest rate instruments	03	4,258,971	892,031	
b/with currency instruments	04	4,461,039	2,984,338	1,739,703
3 Receivables written off	05			
4 Assets provided into custody, administration and safekeeping	06	34,208,775	16,199,075	13,147,184
of which: securities	07	34,208,775	16,199,075	13,147,184
5 Received guarantees and collateral	08			
6 Amounts owed from fixed term transactions	09	8,720,010	3,876,369	1,739,703
a/with interest rate instruments	10	4,258,971	892,031	
b/with currency instruments	11	4,461,039	2,984,338	1,739,703

Profit and Loss Account for the Year Ended 12/31/2004

Item (in thousands CZK)	Line	Result in accounting period		
		Current	Previous 1	Previous 2
1 Interest income and similar income	01	1,126,321	905,950	1,025,797
of which: a/interest income from bonds	02	967,571	784,757	791,704
b/interest from repo transactions	03			
2 Interest expenses and similar expenses	04	139,353	10,917	119,782
3 Income from shares and unit certificates	05	1,323		
4 Commission and fee expenses	06	277,851	211,302	194,929
a/fees and commissions from securities trading	07	19	17	110
b/administrative fee	08	213,871	167,505	154,696
c/custody fee	09	46,133	33,478	33,133
d/other financial expenses	10	17,828	10,302	6,990
5 Profit or loss on financial operations	11	136,793	-162,156	-11,926
of which: a/profit or loss on transactions with securities	12	38,172	-126,434	-236,733
b/profit or loss on foreign exchange transactions and options	13	-18,239	37,131	78,978
c/profit or loss on fixed term transactions and options	14	116,860	-72,853	145,829
6 Other operating income	15	1		95
7 Other operating expenses	16	1		
8 Administrative expenses	17	490	560	269
a/audit	18	490	560	269
b/other administrative expenses	19			
9 Release of provisions against receivables and income from receivables written off	20			
10 Depreciation and creation of provisions against receivables	21			
11 Ordinary profit or loss for the accounting period before tax	22	846,743	521,015	698,986
12 Extraordinary income	23			
13 Extraordinary expenses	24			
14 Extraordinary profit or loss for the accounting period before tax	25			
15 Income tax	26	42,385	73,196	89,965
16 Profit or loss for the accounting period after tax	27	804,358	447,819	609,021

Statement of Changes in Equity for the Year Ended 12/31/2004

Assets (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Share premium	01			
opening balance	02	7,720,264	7,190,181	3,471,722
issued unit certificates	03	8,001,399	4,258,299	6,689,682
repurchase of unit certificates	04	-3,421,230	-3,728,216	-2,971,223
other changes	05			
closing balance	06	12,300,433	7,720,264	7,190,181
2 Retained earnings	07			
opening balance	08	3,611,982	3,002,961	2,187,596
transfers to funds	09	447,820	609,021	815,365
other changes	10			
closing balance	11	4,059,802	3,611,982	3,002,961
3 Capital funds	12			
opening balance	13	17,235,126	16,459,061	10,531,069
issued unit certificates	14	11,341,906	6,378,976	10,664,398
repurchase of unit certificates	15	-4,835,202	-5,602,911	-4,736,406
transfers to funds	16			
other changes	17			
closing balance	18	23,741,830	17,235,126	16,459,061
4 Gains or losses from revaluation	19			
opening balance	20	49,984	-80,749	-151,043
foreign exchange rate differences and gains or losses from revaluation	21	121,367	130,733	70,294
closing balance	22	171,351	49,984	-80,749
5 Retained earnings or accumulated losses from previous periods	23			
opening balance	24			
other changes	25			
closing balance	26			
6 Profit (loss) for the current period after taxes	27			
opening balance	28	447,819	609,021	815,365
profit (loss)	29	804,358	447,819	609,021
transfers to funds, dividends	30	-447,819	-609,021	-815,365
closing balance	31	804,358	447,819	609,021
7 Total	32	41,077,774	29,065,175	27,180,475

Notes to the Financial Statements for the Year Ended 31 December 2004

1. Background Information and Principle Operations

Incorporation and Description of the Fund

Investiční společnost České spořitelny, a.s., Sporoinvest - otevřený podílový fond (hereinafter the "Fund") is an accounting unit without legal entity status, incorporated by Investiční společnost České spořitelny, a.s. (hereinafter the "Company") as an open-ended mutual fund under the Investment Companies and Funds Act no. 248/1992 Coll., as subsequently amended, based upon the Resolution of the Ministry of Finance of the Czech Republic dated 17 May 1996. The Fund began its operations on 1 July 1996.

Following the Company's application, the Securities Commission resolved, on 23 July 2003, to merge the Fund with the open ended mutual fund Investiční společnost České spořitelny, a.s., Merkur - otevřený podílový fond, under Section 35f (3) of the Act no. 248/1992 Coll. The latter fund ceased to exist upon the merger. Pursuant to Section 35f (10) of the Act no. 248/1992 Coll., the merger is effective three months after the date when the Commission resolution takes legal effect. With the Commission resolution becoming effective on 11 August 2003, the merger date was 12 November 2003.

Pursuant to a concluded contract, Česká spořitelna, a.s. acts as the depository of the Fund.

As of 1 May 2004, the Collective Investing Act no. 189/2004 (hereinafter the "Act") took legal effect. Section 140 of this Act invalidates the Investment Companies and Funds Act no. 248/1992 Coll. Pursuant to the provisions of Section 136 (4) and (8) and Section 84 (14) of the Act, the current Statute of the Fund remains in force during the transition period until the new Statute becomes effective (no later than 30 April 2005); this also applies to the references to the provisions of the Act no. 248/1992 Coll. made in the Statute and the related legal regulations.

The Fund is managed by the Company. In accordance with the Act, the Company is responsible for the management of the assets of the Fund, which involves the administration and care of the assets.

Registered Office

Investiční společnost České spořitelny, a.s.
Sporoinvest - otevřený podílový fond
Praha 1, Staré Město, Na Perštýně 342/1

Principal Operations

The Company collects finance of individuals and corporate entities for the Fund by issuing participation certificates with the purpose of their collective investment on local and foreign money and capital markets. No restrictions are placed on the number of participation certificates for issue and their selling period.

The Fund conducts its operations solely on the territory of the Czech Republic.

Investment Policy

The objective of the Fund is to increase the value of investments for its investors provided that the overall risk profile corresponds to that of the money market funds category. The Fund is managed such that the likelihood of losses is minimized for a six-month period.

The goal in managing the Fund's portfolio is to exceed the income on the short-term interest rate (six-month PRIBOR) on a medium-term basis.

Given the possible unexpected fluctuations on financial markets, the Company provides no guarantees as to the fulfillment of this objective.

Finances collected by the Fund are used mainly to invest in money market instruments, bonds and other debt securities permitted by the Act. In making investments for the Fund's portfolio, preference is given to purchasing debt securities issued by issuers with an investment grade credit rating assigned by Standard & Poor's or Moody's.

The Fund's portfolio is also expanded by purchasing participation certificates of open-ended mutual funds and securities of foreign entities engaged in collective investing if their objectives and investment policy are not in conflict with the objectives of the Fund.

The average modified duration range of the portfolio will not exceed 12 months. The average period to maturity is actively managed to reflect the anticipated future interest rate development.

The Fund may use financial derivatives to hedge against interest rate and foreign currency exposures.

2. Basis of Preparation of the Financial Statements

The financial statements have been prepared on the basis of underlying accounting records maintained in accordance with the Accounting Act 563/1991 Coll., and applicable regulations, decrees and internal standards in compliance with and in the scope defined in the Czech Finance Ministry Regulation no. 501/2001 of 6 November 2002, as subsequently amended, which sets out the overall framework for the presentation of the financial statements, and guidelines for the structure and minimum requirements for the content of the financial statements of banks and certain financial institutions, and Czech Accounting Standards, which establish the accounting principles and policies for financial institutions.

The information disclosed for the two immediately preceding accounting periods is reported in line with the requirements of the year to which the financial statements relate. The information relating to the current period reflects the balances resulting from the merger of the funds. As of the merger date, i.e. 12 November 2003, closing balances of assets, payables and liabilities were transferred to the Fund's balance sheet.

_____ The Fund is obliged to comply with the regulatory requirements of the Act.

_____ The accounting records are maintained in compliance with general accounting principles, specifically the accruals principle, the prudence concept and the going concern assumption.

_____ The financial statements contain the balance sheet, profit and loss account, off balance sheet records, statement of changes in equity, and notes to the financial statements.

_____ The preparation of the financial statements requires that the Fund make estimates which have an impact on the reported amounts of assets and liabilities as well as expenses and income in the relevant accounting period. These estimates are based on information available as of the date of the financial statements and may differ from the actual results.

_____ These financial statements are unconsolidated.

_____ All figures are stated in thousands of Czech crowns (CZK), unless indicated otherwise.

3. Accounting Methods Applied

Transaction Date

_____ Purchases and sales of securities are recognized upon conclusion of the related contract (the trade date) provided that the period between the trade date and the fulfillment of the commitment arising from the contract does not exceed a period typical for the relevant type of transaction.

The Transaction Date for Derivative Contracts Is:

- the date upon which the related contract was entered into;
- the date when the fair value of the derivative changed; and
- the date when performance was effected based on the relevant contract.

_____ The transaction date can also be the date when a receivable or payable arises, changes or ceases to exist, and when other matters to be included in the accounting records occur.

Securities

_____ In accordance with the Fund's strategy, all securities are classified as 'held for trading'. During the accounting period, securities are re-measured to fair value on a daily basis pursuant to Finance Ministry Regulation No. 207/2004 Coll., on determination of fair value of the assets and liabilities of a collective investment fund and the determination of current value of shares of participation certificates of a collective investment fund (henceforth the "Regulation"). The differences between the acquisition cost of securities and the cost determined under the above Regulation are recorded to the balance sheet account 'Gains or losses from revaluation.' Pursuant to the Regulation, securities are valued at the price quoted on a public market which is adjusted, as appropriate,

to reflect the rules set out in the Regulation. If the value is not determinable on this basis, the Fund uses a value determined by the Company with due care and diligence, i.e. the values are determined using valuation models based on discounted future cash flows according to the rate of return calculated with reference to the Reuters and Condor+ systems.

_____ Securities are initially measured at cost. The acquisition cost includes direct transaction costs related to the acquisition of securities.

_____ The difference between the cost and nominal value of the purchased debt securities is amortized, using the straight line-method, through the interest income in the income statement from the moment of the securities' acquisition through their maturity.

_____ Upon the sale of securities, the difference between the selling price and the cost of the sold securities determined using the weighted arithmetic average is recorded to income and expense accounts. Realized capital gains and losses are charged through the profit and loss account component 'Profit or loss from financial transactions'.

_____ The accrued interest income on purchased debt securities in the amount set out in the issuing conditions is recorded to a special sub-ledger account of assets. The interest income accrued over the holding period is included in the value of the debt securities and is posted to a special sub-ledger asset account with a corresponding entry to interest income.

Other Receivables

_____ The Fund records receivables arising from its transactions with securities, receivables from positive fair values of derivatives and other operating receivables.

_____ According to the principle of prudence, outstanding receivables associated with dividends are provisioned in full after two years following the recognition of the claim. Further, such provisions are created against outstanding receivables associated with coupons due from insolvent issuers and against other bad debts.

_____ The Fund recorded no provisions for the year ended 31 December 2004

Loans and Borrowings

_____ The Fund may accept loans under the conditions defined in the Act to cover a temporary lack of finances.

_____ Financial Derivatives and Hedging Transactions

_____ In the normal course of business, the Fund enters into hedging contracts with financial derivatives to hedge against interest rate and foreign currency exposures associated with its transactions on financial markets.

_____ The Fund designates certain derivatives as hedges provided that the following criteria are met:

- > the Fund has developed a risk management strategy;
- > at the inception of the hedge, the hedging relationship is formally documented, the documentation identifies the hedged item and the hedging

instrument, defines the risk that is being hedged and the approach to establishing whether the hedge is effective; and

> the hedge is effective, that is, changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80 percent to 125 percent.

_____ Nominal values of derivative financial instruments are initially recognized in the off-balance sheet accounts. Changes in the fair value of derivatives that are designated and qualify as hedges (see above) are recorded in the balance sheet account 'Gains or losses from revaluation', which is included in equity. All financial derivatives are recorded as assets when fair value is positive and as liabilities when fair value is negative. Fair values are based on the valuation models.

_____ The balances recognized in the balance sheet are transferred to the profit and loss account and classified as income and expenses in the period in which the hedged asset or liability impacts the profit and loss account.

_____ Certain derivatives are embedded in compound financial instruments, which comprise the host instrument and the derivative. Pursuant to the applicable regulations, the Fund recognizes changes in assets and liabilities arising from the movements in rates or prices of securities or changes in exchange rates through 'Gains or losses from revaluation'. Given that the assets of the Fund are valued at fair value, embedded derivatives were not accounted for separately in 2004.

Income Tax

_____ Under effective tax regulations, the corporate income tax rate applicable to mutual funds is 5 percent.

_____ The accounting treatment of gains and losses from revaluation was changed starting from 1 January 2005. Securities are revalued through income and expense accounts. The balances of gains or losses from revaluation as of 31 December 2004 are transferred to accumulated profits or losses brought forward. Therefore, the deferred tax from gains or losses from revaluation was not computed as of 31 December 2004.

_____ The deferred tax asset arising from tax losses of previous years is not accounted for due to the uncertainty regarding its realization in the future.

Foreign Currency Translations

_____ Foreign currencies are translated using the exchange rate promulgated by the Czech National Bank as of the relevant date. As of the balance sheet date, assets and liabilities denominated in foreign currencies are translated on the same basis.

_____ Foreign exchange rate gains and losses from the daily translation of assets and liabilities in foreign currencies are posted to equity.

Shareholders' Equity

_____ The selling price of participation certificates is calculated as a proportion of the Fund's equity and the relevant number of participation certificates. Participation certificates are sold to investors using the selling price determined on a daily basis.

Share Premium

_____ Share premium used to be recorded as a component of capital funds. Starting from 2003, it is disclosed separately. Comparative information for previous periods was appropriately adjusted (refer to the 'Statement of changes in equity').

Interest Income and Expense

_____ Accrued interest relating to assets and liabilities is included in the total balance of such assets and liabilities. Beginning in 2003, interest income and expense also include gains or losses from hedging interest rate derivatives. Comparative information for previous periods was appropriately adjusted.

Adjustments Related to Prior Periods

_____ Adjustments to the previous years' income and expenses are recorded as income or expenses in the current year's profit and loss account, unless they relate to significant errors.

4. Risk Management

Credit Risk

_____ In accordance with the Statute and the investment strategy, the Company establishes rules and policies for selecting investment instruments such that the overall credit risk profile of allocated investments is consistent with the characteristics of the Fund. New types of instruments are approved on a case by case basis by the risk management function together with the specification of limits for positions pertaining to these instruments. Specific emphasis is placed on an appropriate rating structure and diversification of portfolios (especially in relation to credit portfolios and their interest components).

Market Risk

_____ The Fund uses a wide range of tools to eliminate risk exposures attached to its portfolios. Major attention is paid to market risks. Apart from statutory restrictions, the Fund is subject to a set of internal limits having a direct impact on the forex exposure, interest rate exposure (the modified duration range of the Fund), share allocation on individual markets according to their volatility, portfolio rating structure (see above), and other characteristics of the Fund. The relevant limits are appropriately applied to correspond with the type of Fund.

Whenever the Fund purchases new types of instruments, these instruments are first analyzed to assess the potential credit risk (see above), as well as the market risk that the instruments might bring to or help eliminate from the portfolio. Subsequently, their appropriateness and, if appropriate, the acceptable proportion of these instruments in the portfolio is evaluated.

The Fund monitors Value at Risk globally and also broken down to Foreign Exchange VaR, Interest Rate VaR and Equity VaR. Based on the above values, the Fund identifies critical risk segments. This identification influences the re-investment process. The limits set up the maximum acceptable VaR for the Fund.

Relative values of VaR in percentage for individual types of risks:

	31 December 2004	Average in 2004
Global VaR	0.33%	0.22%
Foreign Exchange VaR	0.31%	0.17%
Interest Rate VaR	0.12%	0.14%

Relative risk exposure is calculated as a proportion of VaR (risk exposure in absolute terms) and the portfolio's market value. Relative VaR as of 31 December is determined with a 95% confidence level for 30 days. The 95% confidence level also applies to the average daily relative VaR determined for 30 days.

Adherence to all the above limits and their effectiveness is monitored and assessed on an ongoing basis. The limits are reviewed, if necessary.

The portfolio's risk of unfavorable development of foreign exchange rates, interest rates, and other market factors is hedged, to an appropriate extent, by financial derivatives. Financial derivatives are purchased or sold on the OTC market as this market enables the trading of contracts whose parameters and nature appropriately satisfy the requirements of a hedge. Portfolios primarily include currency swaps, currency forwards and interest rate swaps. Derivative positions are therefore opened exclusively for the purpose of hedging, as described above.

Liquidity Risk

Liquidity risk is a risk that the Fund will not have enough disposable resources to meet its obligations arising from financial contracts. Liquidity is monitored and managed based on expected cash flows, with appropriate adjustments made to the structure of securities and term placements portfolios.

Pursuant to the Act, the Company is obliged to purchase a participation certificate without undue delay but not later than one month from the date when the repurchase right is claimed. Given that the Fund holds securities traded at foreign stock exchanges which can be realized within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

5. Additional Information on the Financial Statements

5.1. Receivables from Banks

Receivables from banks	2004	2003	2002
Current accounts	6,404,379	3,095,567	3,616,285
Term deposits	-	473,235	681,907
Total	6,404,379	3,568,802	4,298,192

Current account balances are repayable on demand.

5.2. Securities

Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to these Notes. All securities held by the Fund are publicly tradable at the Prague Stock Exchange or stock exchanges abroad. Participation certificates which are not tradable at stock exchanges are purchased and administered by the Company.

Shares, participation certificates and other holdings	2004	2003	2002
Acquisition cost	3,901,613	1,700,294	-
Market revaluation	58,339	23,106	-
Total	3,959,952	1,723,400	-

Debt securities	2004	2003	2002
Acquisition cost	30,378,755	23,591,596	22,744,209
Market revaluation	200,169	38,996	-56,180
Discount charged on an accrual basis, premium	4,334	-117,890	-80,115
Accrued interest income	329,085	284,744	367,633
Total	30,912,343	23,797,446	22,975,547

_____ Of the aggregate volume of debt securities, debt securities maturing within one year, debt securities maturing within more than one year with a variable coupon and debt securities maturing within more than one year with a fixed coupon account for 27.78%, 53.83%, and 18.39%, respectively.

5.3. Other Assets

Other assets	2004	2003	2002
Tax receivable	11,211	17,009	-
Positive values of financial derivatives	88,321	1,112	-
Other receivables - local coupons	7,294	7,406	28,548
Total	106,826	25,527	28,548

_____ Local coupons mature in January 2005. Tax receivable represents a tax asset after the annual offset of income tax prepayments with the actual tax obligation.

5.4. Equity

_____ In accordance with the accounting policies, the Fund has no share capital. The nominal value of a participation certificate is CZK 1. The total nominal value of all participation certificates is posted to 'Capital funds'.

_____ Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded independently. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase.

_____ The selling price of a participation certificate is determined as a proportion of the Fund's equity and the number of participation certificates issued.

_____ The carrying value of a participation certificate as of 31 December 2004 was CZK 1.7302.

_____ In accordance with the Statute of the Fund, the profit for 2002 (CZK 609,021 thousand) and 2003 (CZK 447,819 thousand) was transferred to the 'Reinvestment fund' which is included in 'Other funds from profit'.

_____ The profit of CZK 804,358 thousand generated in 2004 will also be transferred to the 'Reinvestment fund' under the Statute.

Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Addition upon the Fund's merger	Total capital funds
Balance at 31 Dec 2002	16,459,060,632	16,459,061	-	16,459,061
Participation certificates sold	6,322,969,614	6,322,969	-	6,322,969
Participation certificates purchased	-5,602,636,136	-5,602,636	-	-5,602,636
Participation certificates from the merged fund	56,006,147	56,006	-	56,006
Investment	-	-	-274	-274
Balance at 31 Dec 2003	17,235,400,257	17,235,400	-274	17,235,126
Participation certificates sold	11,341,905,390	11,341,905	-	11,341,905
Participation certificates purchased	-4,835,201,589	-4,835,201	-	-4,835,201
Participation certificates from the merged fund	-	-	-	-
Investment	-	-	-	-
Balance at 31 Dec 2004	23,742,104,058	23,742,104	-274	23,741,830

_____ Addition upon the Fund's merger primarily comprises the changes in the valuation of securities of the merged fund, Merkur. The value of these securities has been included in the value of the participation certificates of the Fund.

Gains and Losses from Revaluation

	From assets and liabilities	From hedging derivatives	Total gains and losses from revaluation
Balance at 31 Dec 2002	-53,370	-27,379	-80,749
Of which: debt securities	-56,180	-	-
other assets and liabilities	2,810	-	-
Balance at 31 Dec 2003	48,683	1,301	49,984
Of which: debt securities	38,996	-	-
other assets and liabilities	18,507	-	-
deferred tax	-8,820	-	-
Balance at 31 Dec 2004	257,196	-85,845	171,351
Of which: debt securities	200,169	-	-
other assets and liabilities	57,027	-	-

5.5. Other Liabilities

Other liabilities	2004	2003	2002
Negative values of financial derivatives	241,039	4,678	27,379
Payables from management fees	20,207	14,533	15,855
Payables from securities trading	-	23	-
Payables from shareholders' placement	33,597	18,546	54,210
Income tax liability	-	-	16,670
Deferred tax	-	8,820	-
Other payables	6,402	2,976	4,317
Total	301,245	49,576	118,431

5.6. Accrued Expenses and Deferred Income

_____ Accrued expenses relate to the unbilled custody fee of CZK 4,481 thousand related to December 2004 (2003: CZK 2,884 thousand).

5.7. Financial Derivatives Posted as Hedging Derivatives

	Nominal value		Nominal value		Nominal value	
	2004 assets	2004 liabilities	2003 assets	2003 liabilities	2002 assets	2002 liabilities
Interest rate instruments						
Interest rate swaps	4,258,971	4,258,971	892,031	892,031	-	-
Currency instruments						
Currency swaps	4,461,039	4,461,039	2,984,338	2,984,338	1,534,694	1,534,694
Currency forwards	-	-	-	-	205,009	205,009
Total currency instruments	4,461,039	4,461,039	2,984,338	2,984,338	1,739,703	1,739,703
Total	8,720,010	8,720,010	3,876,369	3,876,369	1,739,703	1,739,703

	2004 positive	Fair value 2004 negative	2003 positive	Fair value 2003 negative	2002 positive	Fair value 2002 negative
Interest rate instruments						
Interest rate swaps	35,164	241,039	-	4,678	-	-
Currency instruments						
Currency swaps	53,157	-	1,112	-	-	25,039
Currency forwards	-	-	-	-	-	2,340
Total currency instruments			1,112	-	-	27,379
Total	88,321	241,039	1,112	4,678	-	27,379

_____ Currency derivatives are due within one year.

Interest rate instruments at 31 Dec 2004	positive	Nominal value negative	positive	Fair value negative
Due within 1 year	-	-	-	-
Due within 1-5 years	910,271	-	5,862	30,553
Due in more than 5 years	3,348,700	-	29,302	210,486
Total	4,258,971	-	35,164	241,039

5.8. Interest Income and Expense

Income	2004	2003	2002
Interest on deposits	84,683	109,146	195,253
Interest on debt securities	967,571	784,757	791,704
Interest on derivatives	74,067	12,047	38,839
Total	1,126,321	905,950	1,025,796

Expense	2004	2003	2002
Interest on derivatives	139,353	10,917	119,782
Total	139,353	10,917	119,782

_____ Beginning in 2003, interest income and expense also include gains or losses from hedging interest rate derivatives. Comparative information for previous periods was appropriately adjusted.

5.9. Fees and Commissions

	2004	2003	2002
Management fees	213,871	167,505	154,696
Custody fees	46,133	33,478	33,132
Commissions and fees from securities trading	19	17	110
Amounts paid to the Securities Center	1,692	907	215
Administration of securities	14,682	8,322	5,451
Other fees and commissions	1,454	1,073	1,324
Total	277,851	211,302	194,928

_____ In compliance with the Statute of the Fund, the management fee paid to the Company amounts to 0.60% of the average annual equity value of the Fund.

_____ Pursuant to the custody service contract entered into with Česká spořitelna, a. s., the Fund paid a fee equal to 0.12% of its average annual equity value until 30 April 2004. Starting from 1 May 2004, the fee equals 0.11% of the Fund's average annual equity value increased by the standard VAT rate.

5.10. Profit or Loss from Financial Operations

	2004	2003	2002
Profit/(loss) from securities held for trading	38,172	-126,434	-236,733
Profit/(loss) from foreign exchange rate differences	-18,239	37,131	78,978
Profit/(loss) from derivatives	116,860	-72,853	145,829
Total	136,793	-162,156	-11,926

_____ Profit or loss from foreign exchange rate differences relates to the amount of realized foreign exchange rate differences on foreign currency accounts and from the settlement of foreign receivables and payables.

_____ Profit or loss from derivatives relates to the profit or loss arising from the settlement of fixed term transactions with currency instruments.

5.11. Administrative Expenses

Administrative Expenses	2004	2003	2002
Audit	490	560	269
Total	490	560	269

5.12. Income Tax

_____ Main income tax components:

	2004	2003	2002
Tax payable – current year	42,392	73,187	89,965
Tax payable – previous year	-7	9	-
Total income tax	42,385	73,196	89,965

Current Income Tax – Analysis:

	31 December 2004
Profit/(loss) before tax	846,743
Items to add	1,332
Deductible items	4,205
Other – tax losses carried forward	-
Tax base	843,870
Tax on tax base	42,194
Dividends abroad	1,323
Tax on dividends abroad	198
Additional tax payments	-7
Total tax	42,385

5.13. Related Party Transactions

_____ Related parties include Česká spořitelna, a. s. and the Company.

	2004	2003	2002
Payables from management fees – ISČS, a. s.	20,207	14,533	15,855
Other payables to related parties	4,772	2,239	31,173
Custody fee for December not yet billed – ČS, a. s.	4,481	2,884	3,381
Total	29,460	19,656	50,409

_____ The costs charged to the Fund by Česká spořitelna, a. s. in 2004 totaled CZK 62,289 thousand (2003: CZK 42,893 thousand, 2002: CZK 39,040), of which the greatest portion was represented by the custody fee of CZK 46,133 thousand (2003: CZK 33,478 thousand, 2002: 33,133 thousand). The annual management fee charged by the Company amounted to CZK 213,871 thousand (2003: CZK 167,505 thousand, 2002: 154,696 thousand).

_____ Other payables in 2002 primarily comprise the amount of CZK 27,379 thousand for a derivative transaction payable to Česká spořitelna, a. s.

5.14. Liquidity

_____ The following table shows residual maturity of assets broken down by major types. Given that all securities are traded on public markets, sales can be effected within three months.

	Less than 3 months	3 months– –1 year	1–5 years	Over 5 years	Not specified	Total
Receivables from banks	6,404,379	–	–	–	–	6,404,379
Debt securities	4,184,714	4,403,615	18,042,582	4,281,432	–	30,912,343
Participation certificates	–	–	–	–	3,959,952	3,959,952
Other assets	18,505	–	–	–	88,321	106,826
Total assets	10,607,598	4,403,615	18,042,582	4,281,432	4,048,273	41,383,500

5.15. Off-Balance Sheet Assets and Liabilities

_____ The item ‘Assets provided into custody, administration and safekeeping’ relates to foreign and local securities administered by Česká spořitelna, a. s.

5.16. Contingent Assets and Liabilities

_____ The Fund has no assets or liabilities that were not disclosed in the balance sheet or off-balance sheet records as of 31 December 2004.

5.17. Compliance with Section 24 (1) to (5) of Act No. 248/1992 Coll.

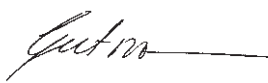
_____ As of 31 December 2004, the Fund did not breach the limit set under Section 24 (1) to (5) of Act no. 248/1992 Coll., as amended.

5.18. Subsequent Events

_____ On 28 January 2005, the Company filed a petition with the Securities Commission regarding the change of the Statute of the Fund resulting from its transformation to a standard fund complying with the requirements of European Community law and in connection with bringing the Statute in line with the Collective Investing Act no. 189/2004 Coll.



Petr Zapletal
Chairman of the Board of Directors
Investiční společnost České spořitelny, a. s.



Guntard Gutmann
member of the Board of Directors
Investiční společnost České spořitelny, a. s.

Portfolio at 31 December 2004

ISIN	Name of the security	No.	Market value	Total market value	Total market accrued interest income
CZ0000000070	AHOLD NV VAR/05	81,500	9,955.00	811,332,500.00	7,487,133.36
CZ0003700635	CESKA KONS.AGENTURA VAR/05	360	1,000,550.00	360,198,000.00	55,760.00
CZ0003700569	CESKA POJISTOVNA VAR/06	243	995,000.00	241,785,000.00	-336,960.00
CZ0003501355	CESKY TELECOM 3.5/08	230	992,600.00	228,298,000.00	3,823,750.00
CZ0003501306	CESKY TELECOM 4.55/05	39,000	10,105.00	394,095,000.00	8,133,125.01
CZ0003501348	CEZ 3.35/06-08	30,500	9,955.00	303,627,500.00	5,307,423.61
CZ0003501223	CP LEASING VAR/15-11-05	100	1,002,682.30	100,268,229.60	565,000.00
CZ0003700767	CSPO VAR/2014	45	10,014,200.00	450,639,000.00	6,096,500.00
CZ0003700478	KOB VAR/05	8,500	10,009.00	85,076,500.00	714,383.68
CZ0003501207	SKODA AUTO 7.25/05	200	103,650.00	20,730,000.00	257,777.78
CZ0003501181	SKODA AUTO VAR/07	3,000	99,680.00	299,040,000.00	1,541,333.33
CZ0003501199	SKODA AUTO VAR/10	3,900	99,080.00	386,412,000.00	2,059,200.00
CZ0003500993	SM ENERGI VAR/05	11,000	10,020.00	110,220,000.00	1,151,150.00
CZ0003501397	SPRAVA ZEL.DOPR.CESTY 4.6/03-11	40,000	10,500.00	420,000,000.00	15,180,000.00
CZ0003700544	UNION LEASING VAR/05	5,000	10,019.00	50,095,000.00	773,541.67
Local bonds after 1. 1. 1998 – corporate				4,261,816,729.60	52,809,118.44
CZ0001000863	CZECH GB 3.95/02-08-07	75,000	10,226.00	766,950,000.00	12,179,166.68
CZ0001000814	SD 3.7/13	145,000	9,789.00	1,419,405,000.00	28,911,388.91
CZ0001000822	SD 4.6/18	115,000	10,216.00	1,174,840,000.00	19,396,666.71
Local bonds after 1. 1. 1998 – state				3,361,195,000.00	60,487,222.30
XS0150494135	AIG SUNAMERICA IF VAR/08	18,240	24,675.00	450,072,000.00	5,773,466.67
XS0149802372	BANK AUSTRIA ZLB VAR/07	8,000	24,997.19	199,977,495.80	30,666.66
XS0138491963	BANK OF AMERICA VAR/07	490	1,003,000.00	491,470,000.00	1,928,422.22
XS0153063275	BG ENERGY VAR/07	5,700	100,550.00	573,135,000.00	6,113,250.00
XS0109961630	BGB IRELAND 6.75/05	10,800	25,253.15	272,734,020.00	13,032,123.29
XS0196002033	DANONE FINANCE 4.15/09-07-07	4,900	101,950.00	499,555,000.00	9,885,069.44
XS0155793663	DEUTSCHE TELECOM VAR/05	21,475	10,122.48	217,380,245.33	2,295,140.63
XS0174316256	DEXIA CREDIT LOCAL BARR-SKK/EUR	780	537,400.00	419,172,000.00	7,678,125.00
XS0185557609	ERSTE BANK BARR-PLN/EUR	29	10,465,400.00	303,496,600.00	5,308,450.00
XS0184656121	EUROPEAN CREDIT LUX VAR/21/01/07	44,000	10,010.11	440,444,840.00	1,322,933.35
XS0134333052	FORD CREDIT EUROPE BANK VAR/06	20,000	24,562.50	491,250,000.00	960,000.00
XS0162832314	FORTIS FINANCE VAR/08	4,660	100,000.00	466,000,000.00	4,874,101.11
XS0147845787	GE CAPITAL CANADA VAR/05-07	23,200	25,037.50	580,870,000.00	1,578,888.90
XS0157691576	GE CAPITAL CORP. VAR/07	5,700	101,150.00	576,555,000.00	2,352,516.67
XS0206971482	GE CAPITAL CORP. VAR/09-12-09	2,900	100,090.00	290,261,000.00	485,588.89
XS0142320521	GENERAL MOTORS AUSTR. 5.75/02-05	1,680	25,026.25	42,044,100.00	2,164,262.29
XS0173759118	GENERAL MOTORS IF VAR/08-06	2,700	101,250.00	273,375,000.00	4,557,600.00
XS0161364848	HBOS-TS VAR/08	855	1,000,615.09	855,525,902.81	10,272,825.00
XS0117330851	HYPOTHEK ADRIA 6.75/05	13,000	25,709.15	334,218,950.00	6,010,273.97
XS0203603211	ING VERZEKERING IN VAR/02-11-09	49	10,020,000.00	490,980,000.00	2,280,677.78
XS0147454085	INTERNATIONAL ENDESA VAR/08	500	995,051.01	497,525,504.00	2,097,916.67
XS0188829575	LANDSBANKI ISLANDS VAR/31-03-09	92	5,016,849.39	461,550,143.88	3,703,000.00
XS0149694381	LINDE FINANCE VAR/08	4,880	100,766.70	491,741,517.96	432,422.22
FR0010136358	LVMH VAR/02-12-09	41	10,071,345.17	412,925,151.97	967,713.89
XS0126007474	MONUMENT GLOBAL FUNDING 5.75/05	4,000	25,122.30	100,489,200.00	4,568,493.15
XS0175980316	MORGAN STANLEY VAR/09-08	390	1,004,500.00	391,755,000.00	3,721,466.67

ISIN	Name of the security	No.	Market value	Total market value	Total market accrued interest income
XS0194202486	MORGAN STANLEY VAR/17-06-07	8,000	24,987.50	199,900,000.00	2,998,777.78
XS0147735251	RWE VAR/05-07	71,100	10,050.00	714,555,000.00	2,387,774.98
XS0130539793	SAS VAR/08	4,800	21,062.50	101,100,000.00	181,800.00
XS0184594934	SEVERN TRENT WATER VAR/28-01-09	4,000	100,650.00	402,600,000.00	4,974,666.67
XS0122851081	SNS BANK 6.0/05	13,650	25,060.25	342,072,412.50	18,628,893.44
XS0191878536	SNS BANK VAR/11-05-09	6,400	50,043.54	320,278,667.20	1,297,777.78
XS0207879536	SNS BANK VAR/21-12-09	8,000	50,000.00	400,000,000.00	301,111.11
XS0143426053	TRANSCO VAR/07	18,800	9,750.00	183,300,000.00	2,042,724.45
XS0146746911	VATTENFALL TREAS. VAR/07	97	5,003,500.00	485,339,500.00	2,559,452.78
XS0146802763	VIVENDI ENVIRONNEMENT VAR/09 I	5,550	100,992.32	560,507,368.23	3,175,987.50
XS0135757622	VOLVO VAR/06	800	25,115.00	20,092,000.00	16,444.44
XS0145358882	VORARLBERG LND-HYPOBK 5/05	15,800	25,159.15	397,514,570.00	14,447,260.28
XS0110006573	VORARLBERG LND-HYPOBK 6.5/05	2,600	25,281.13	65,730,925.00	2,963,287.67
XS0169443784	ANGLO AMERICAN 3.625/08	10,000	30,935.68	309,356,842.50	6,323,574.05
XS0179256952	BRE FINANCE FRANCE VAR/03-11-06	15,000	30,520.90	457,813,549.13	1,842,066.23
XS0203048631	BRE FINANCE FRANCE VAR/18-10-07	10,000	30,281.65	302,816,501.14	1,469,750.11
XS0123688870	BRITISH TELECOM 6.125/15-02-06	10,000	31,720.77	317,207,673.00	16,980,491.83
XS0193834156	CEZ FINANCE 4.625/08-06-11 (EUR)	11,000	31,794.98	349,744,780.44	8,747,419.71
XS0103421128	CEZ FINANCE 7.25/06 (EUR)	9,720	32,769.62	318,520,670.63	4,234,918.82
XS0195517684	DAIMLER CHRYSLER NA 2.57/07	20,000	30,537.20	610,744,041.00	3,872,440.28
XS0132408419	DEUTSCHE TELECOM 5.875/11-07-06	6,000	32,098.69	192,592,113.75	5,089,950.23
XS0181638023	FORD CREDIT AUSTR. VAR/05-01-07	5,800	30,714.81	178,145,915.40	1,600,462.59
XS0195560262	GENERAL MOTORS AC VAR/30-06-09	8,300	29,432.24	244,287,562.95	24,084.87
HU0000338470	DIAKHITEL KOZPONT VAR/06	50,000	1,222.65	61,132,415.75	4,740,874.30
Foreign bonds – corporate				18,159,856,180.37	215,297,386.37
XS0109263516	EIB 6.5/05	400	25,265.65	10,106,260.00	491,506.85
Foreign bonds – state				10,106,260.00	491,506.85
770040000018	ISCS KORPORATNI DLUHOPISOVY	650,000,000	1.02	663,520,000.00	0.00
Domestic unit certificates				663,520,000.00	0.00
AT0000809165	ESPA BOND EMERGING-MARKETS	189,161	3,265.85	617,771,073.53	0.00
AT0000805684	ESPA BOND EUROPE-HIGH YIELD	105,831	2,913.06	308,292,402.10	0.00
AT0000626031	ESPA CASH ASSET-BACKED	98,658	3,090.67	304,919,740.16	0.00
AT0000633771	ESPA CESKY FOND STATNICH DLUHOPISU	2,000,000	106.38	212,760,000.00	0.00
AT0000657747	ESPA CZECH CORPORATE CASH FUND	10,000,000	103.41	1,034,100,000.00	0.00
AT0000657721	ESPA CZECH MORTGAGE CASH FUND	5,000,000	102.77	513,850,000.00	0.00
AT0000626056	ESPA SHORT TERM-PREFERRED A	98,058	3,107.73	304,738,244.31	0.00
Foreign participation certificates				3,296,431,460.10	0.00
20104436	010405 MF CZ0001000970	600	993,824.42	596,294,652.60	0.00
20508439	050805 MF CZ0001001002	790	984,647.46	777,871,492.61	0.00
20701437	070105 MF CZ0001000988	1,130	999,528.89	1,129,467,642.31	0.00
21103443	110305 MF CZ0001001051	1,164	995,254.85	1,158,476,648.89	0.00
21802440	180205 MF CZ0001001010	154	996,682.40	153,489,088.98	0.00
52103009	210305 CKA II	980	994,576.38	974,684,848.48	0.00
Local treasury bills				4,790,284,373.87	0.00
Total portfolio				34,543,210,003.94	329,085,233.96

Auditor's Report to the Shareholders of the fund Investiční společnost České spořitelny, a. s., Sporobond – otevřený podílový fond

Having its registered office at: Praha 1, Staré Město, Na Perštýně 342/1

Identification number: 44796188

Principal activities: open – ended mutual fund

We have audited the accompanying financial statements of the fund Investiční společnost České spořitelny, a. s., Sporobond – otevřený podílový fond for the year ended 31 December 2004. These financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on the financial statements, taken as a whole, based on our audit.

We conducted our audit in accordance with the Act on Auditors and the auditing standards issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and conduct the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, the accounting records and other evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Company in the preparation of the financial statements, as well as evaluation of the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion on the financial statements.

In our opinion, the financial statements give a true and fair view, in all material respects, of the assets, liabilities, equity and financial position of Investiční společnost České spořitelny, a. s., Sporobond – otevřený podílový fond as of 31 December 2004 and of the results of its operations for the year then ended in accordance with the Accounting Act and applicable Czech regulations.

In Prague on 14 March 2005



Audit firm:

Deloitte s. r. o.

Certificate no. 79

Represented by:

Michal Petrman, statutory executive



Statutory auditor:

Michal Petrman

Certificate no. 1105

Balance Sheet as at 31 December 2004

Assets (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Receivables from banks	01	1,109,136	1,199,305	1,727,357
of which: a/current accounts	02	1,109,136	410,579	891,695
b/term deposits	03		788,726	835,662
c/repo transactions	04			
2 Receivables from non-banking entities	05			
of which: repo transactions	06			
3 Debt securities	07	9,088,704	11,985,679	7,181,809
a/issued by the government	08	5,907,157	9,492,163	5,801,096
b/issued by other entities	09	3,181,547	2,493,516	1,380,713
4 Shares, unit certificates and other participation interests	10	926,125		
5 Other assets	11	78,454	37,591	65,352
a/derivatives	12	19,110		
b/receivables from securities trading	13			
c/receivables from taxes	14	16,800		231
d/other assets	15	42,544	37,591	65,121
6 Deferred expenses and accrued income	16		139	
Total assets	17	11,202,419	13,222,714	8,974,518

Liabilities (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Payables to banks	18			
of which: repo transactions	19			
2 Payables to non-banking entities	20			
of which: repo transactions	21			
3 Other liabilities	22	23,359	38,937	523,780
a/derivatives	23	4,741	10,997	29,684
b/liabilities from securities trading	24			439,061
c/liabilities from taxes	25		11,045	
d/other liabilities	26	18,618	16,895	55,035
4 Deferred income and accrued expenses	27	1,219	1,300	1,044
5 Reserves	28			
of which: for taxes	29			
6 Share premium	30	2,600,101	3,531,907	1,972,397
7 Other funds from profit	31	1,009,287	670,256	416,457
8 Capital funds	32	6,946,825	8,704,912	5,690,787
9 Gains or losses from revaluation	33	283,385	-63,797	116,086
a/from assets and liabilities	34	265,192	-54,599	145,770
b/from hedging derivatives	35	18,193	-9,198	-29,684
10 Retained earnings or accumulated losses from previous periods	36	168	168	168
11 Profit or loss for the accounting period	37	338,075	339,031	253,799
Total liabilities	38	11,202,419	13,222,714	8,974,518
of which: equity	39	11,177,841	13,182,477	8,449,694

Off Balance Sheet Accounts at 12/31/2004

Off balance sheet assets (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Amounts due from repo transactions	01			
2 Amounts due from fixed term transactions	02	1,242,327	5,636,858	1,619,474
a/with interest rate instruments	03	62,330	402,330	
b/with currency instruments	04	1,179,997	5,234,528	1,619,474
3 Receivables written off	05			
4 Assets provided into custody, administration and safekeeping	06	9,810,669	5,645,412	1,592,305
of which: securities	07	9,810,669	5,645,412	1,592,305
5 Received guarantees and collateral	08			
6 Amounts owed from fixed term transactions	09	1,242,327	5,636,858	1,619,474
a/with interest rate instruments	10	62,330	402,330	
b/with currency instruments	11	1,179,997	5,234,528	1,619,474

Profit and Loss Account for the Year Ended 12/31/2004

Item (in thousands CZK)	Line	Result in accounting period		
		Current	Previous 1	Previous 2
1 Interest income and similar income	01	494,286	511,525	254,997
of which: a/interest income from bonds	02	454,681	415,934	203,742
b/interest from repo transactions	03			
2 Interest expenses and similar expenses	04	14,828	3,567	2
3 Income from shares and unit certificates	05	457		
4 Commission and fee expenses	06	134,941	157,960	72,614
a/fees and commissions from securities trading	07	85	27	132
b/administrative fee	08	114,125	138,911	63,281
c/custody fee	09	14,681	15,136	7,898
d/other financial expenses	10	6,050	3,886	1,303
5 Profit or loss on financial operations	11	11,238	48,917	110,384
of which: a/profit or loss on transactions with securities	12	9,801	132,809	-4,587
b/profit or loss on foreign exchange transactions and options	13	14,259	59,998	61,775
c/profit or loss on fixed term transactions and options	14	-12,822	-143,890	53,196
6 Other operating income	15			397
7 Other operating expenses	16			
8 Administrative expenses	17	292	255	102
a/audit	18	292	255	102
b/other administrative expenses	19			
9 Release of provisions against receivables and income from receivables written off	20	9		
10 Depreciation and creation of provisions against receivables	21	9		9
11 Ordinary profit or loss for the accounting period before tax	22	355,920	398,660	293,051
12 Extraordinary income	23			
13 Extraordinary expenses	24			
14 Extraordinary profit or loss for the accounting period before tax	25			
15 Income tax	26	17,845	59,629	39,252
16 Profit or loss for the accounting period after tax	27	338,075	339,031	253,799

Statement of Changes in Equity for the Year Ended 12/31/2004

Assets (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Share premium	01			
opening balance	02	3,531,907	1,972,397	340,178
issued unit certificates	03	479,584	2,754,416	1,948,250
repurchase of unit certificates	04	-1,411,440	-1,194,906	-316,058
other changes	05	50		27
closing balance	06	2,600,101	3,531,907	1,972,397
2 Retained earnings	07			
opening balance	08	670,256	416,457	301,916
transfers to funds	09	339,031	253,799	114,541
other changes	10			
closing balance	11	1,009,287	670,256	416,457
3 Capital funds	12			
opening balance	13	8,704,912	5,690,787	1,971,045
issued unit certificates	14	865,924	5,336,519	4,459,129
repurchase of unit certificates	15	-2,624,011	-2,322,394	-739,387
transfers to funds	16			
other changes	17			
closing balance	18	6,946,825	8,704,912	5,690,787
4 Gains or losses from revaluation	19			
opening balance	20	-63,797	116,086	7,110
foreign exchange rate differences and gains or losses from revaluation	21	347,182	-179,883	108,976
closing balance	22	283,385	-63,797	116,086
5 Retained earnings or accumulated losses from previous periods	23			
opening balance	24	168	168	168
other changes	25			
closing balance	26	168	168	168
6 Profit (loss) for the current period after taxes	27			
opening balance	28	339,031	253,799	114,541
profit (loss)	29	338,075	339,031	253,799
transfers to funds, dividends	30	-339,031	-253,799	-114,541
closing balance	31	338,075	339,031	253,799
7 Total	32	11,177,841	13,182,477	8,449,694

Notes to the Financial Statements for the Year Ended 31 December 2004

1. Background Information and Principle Operations

Incorporation and Description of the Fund

Investiční společnost České spořitelny, a. s., Sporobond - otevřený podílový fond (hereinafter the "Fund") is an accounting unit without legal entity status, incorporated by Investiční společnost České spořitelny, a. s. (hereinafter the "Company") as an open-ended mutual fund under the Investment Companies and Funds Act no. 248/1992 Coll., based upon the Resolution of the Ministry of Finance of the Czech Republic dated 13 November 1997. The Fund began its operations on 31 March 1998.

Pursuant to a concluded contract, Česká spořitelna, a. s. acts as the depository of the Fund.

Based on the application of the Company dated 16 July 1999, the Securities Commission resolved, on 21 September 1999, to merge two open-ended mutual funds, namely Investiční společnost ČS, a. s. - Rentinvest and Investiční společnost ČS, a. s. - Sporobond, under Section 35f (3) of the Act no. 248/1992 Coll. The status of Investiční společnost ČS, a. s. - Sporobond as approved by the Securities Commission remains unchanged. The merger was performed as of 28 December 1999.

As of 1 May 2004, the Collective Investing Act no. 189/2004 (hereinafter the "Act") took legal effect. Section 140 of this Act invalidates the Investment Companies and Funds Act no. 248/1992 Coll. Pursuant to the provisions of Section 136 (4) and (8) and Section 84 (14) of the Act, the current Statute of the Fund remains in force during the transition period until the new Statute becomes effective (no later than 30 April 2005); this also applies to the references to the provisions of the Act no. 248/1992 Coll. made in the Statute and the related legal regulations.

The Company is responsible for the management of the assets of the Fund under the Act. Management of the assets involves the administration and care of the assets.

Registered Office

Investiční společnost České spořitelny, a. s.
Sporobond - otevřený podílový fond
Praha 1, Staré Město, Na Perštýně 342/1

Principal Operations

The Company collects finance of individuals and corporate entities for the Fund by issuing participation certificates with the purpose of their collective investment on local and foreign money and capital markets. No restrictions are placed on the number of participation certificates for issue and their selling period.

The Fund conducts its operations solely on the territory of the Czech Republic.

Investment Policy

The objective of the Fund is to increase the value of investments for its investors provided that the overall risk profile corresponds to that of the category of bond funds.

The Fund is managed such that the likelihood of losses is minimized for a two-year period.

The goal in managing the Fund's portfolio is to exceed, on a long-term basis, the yield on medium-term Czech state bonds. Given the possible unexpected fluctuations on financial markets, the Company provides no guarantees as to the fulfillment of this objective.

Finances collected by the Fund are invested in bonds, money market instruments and other debt securities permitted by the Act. In making investments for the Fund's portfolio, preference is given to purchasing debt securities issued by issuers with at least an investment grade credit rating assigned by Standard & Poor's or Moody's.

The average period to maturity is actively managed to reflect the anticipated future developments of interest rates in a manner ensuring that the objectives of the Fund are met.

The Fund's portfolio also comprises participation certificates of open-ended mutual funds and securities of foreign entities engaged in collective investing if their objectives and investment policy are not in conflict with the objectives of the Fund.

The Fund may use financial derivatives to hedge against foreign currency and interest rate exposures.

2. Basis of Preparation of the Financial Statements

The financial statements have been prepared on the basis of underlying accounting records maintained in accordance with the Accounting Act 563/1991 Coll., and applicable regulations, decrees and internal standards in compliance with and in the scope defined in the Czech Finance Ministry Regulation no. 501/2001 of 6 November 2002, as subsequently amended, which sets out the overall framework for the presentation of the financial statements, and guidelines for the structure and minimum requirements for the content of the financial statements of banks and certain financial institutions, and Czech Accounting Standards, which establish the accounting principles and policies for financial institutions.

The information disclosed for the two immediately preceding accounting periods is reported in line with the requirements of the year to which the financial statements relate.

The Fund is obliged to comply with the regulatory requirements of the Act.

The accounting records are maintained in compliance with general accounting principles, specifically the accruals principle, the prudence concept and the going concern assumption.

_____ The financial statements contain the balance sheet, profit and loss account, off balance sheet records, statement of changes in equity, and notes to the financial statements.

_____ The preparation of the financial statements requires that the Fund make estimates which have an impact on the reported amounts of assets and liabilities as well as expenses and income in the relevant accounting period. These estimates are based on information available as of the date of the financial statements and may differ from the actual results.

_____ These financial statements are unconsolidated.

_____ All figures are stated in thousands of Czech crowns (CZK), unless indicated otherwise.

3. Accounting Methods Applied

Transaction Date

_____ Purchases and sales of securities are recognized upon conclusion of the related contract (the trade date) provided that the period between the trade date and the fulfillment of the commitment arising from the contract does not exceed a period typical for the relevant type of transaction.

The Transaction Date for Derivative Contracts Is:

- a) the date upon which the related contract was entered into;
- b) the date when the fair value of the derivative changed; and
- c) the date when performance was effected based on the relevant contract.

_____ The transaction date can also be the date when a receivable or payable arises, changes or ceases to exist, and when other matters to be included in the accounting records occur.

Securities

_____ In accordance with the Fund's strategy, all securities are classified as 'held for trading'. During the accounting period, securities are re-measured to fair value on a daily basis pursuant to Finance Ministry Regulation no. 207/2004 Coll., on determination of fair value of the assets and liabilities of a collective investment fund and the determination of current value of shares of participation certificates of a collective investment fund (henceforth the "Regulation"). The differences between the acquisition cost of securities and the cost determined under the above Regulation are recorded to the balance sheet account 'Gains or losses from revaluation.' Pursuant to the Regulation, securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the rules set out in the Regulation. If the value is not determinable on this basis, the Fund uses a value determined by the Company with due care and diligence, i.e. the values are determined using valuation models based on discounted future cash flows according to the rate of return calculated with reference to the Reuters and Condor+ systems.

_____ Securities are initially measured at cost. The acquisition cost includes direct transaction costs related to the acquisition of securities.

_____ The difference between the cost and nominal value of the purchased debt securities is amortized, using the straight line method, through the income statement from the moment of the securities' acquisition through their maturity.

_____ Upon the sale of securities, only the difference between the selling price and the cost of the sold securities determined using the weighted arithmetic average is recorded to income and expense accounts. Realized capital gains and losses are charged through the profit and loss account component 'Profit or loss from financial transactions'.

_____ The accrued interest income on purchased debt securities in the amount set out in the issuing conditions is recorded to a special sub-ledger account of assets. The interest income accrued over the holding period is included in the value of the debt securities and is posted to a special sub-ledger asset account with a corresponding entry to interest income.

Other Receivables

_____ The Fund records receivables arising from its transactions with securities, receivables from positive values of derivatives and other operating receivables.

_____ According to the principle of prudence, outstanding receivables associated with dividends are provisioned in full after two years following the recognition of the claim. Further, such provisions are created against outstanding receivables associated with coupons due from insolvent issuers and against other bad debts.

Loans and Borrowings

_____ The Fund may accept loans under the conditions defined in the Act to cover a temporary lack of finances.

Financial Derivatives and Hedging Transactions

_____ In the normal course of business, the Fund enters into hedging contracts with financial derivatives to hedge against interest rate and foreign currency exposures associated with its transactions on financial markets.

_____ The Fund designates certain derivatives as hedges provided that the following criteria are met:

- > the Fund has developed a risk management strategy;
- > at the inception of the hedge, the hedging relationship is formally documented, the documentation identifies the hedged item and the hedging instrument, defines the risk that is being hedged and the approach to establishing whether the hedge is effective; and
- > the hedge is effective, that is, changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80 percent to 125 percent.

_____ Nominal values of derivative financial instruments are initially recognized in the off-balance sheet accounts. Changes in the fair value of derivatives that are designated and qualify as hedges (see above) are recorded in the balance sheet account 'Gains or losses from revaluation', which is included in equity. All financial derivatives are recorded as assets when fair value is positive and as liabilities when fair value is negative. Fair values are based on the valuation models.

_____ The balances recognized in the balance sheet are transferred to the profit and loss account and classified as income and expenses in the period in which the hedged asset or liability impacts the profit and loss account.

_____ Certain derivatives are embedded in compound financial instruments, which comprise the host instrument and the derivative. Pursuant to the applicable regulations, the Fund recognizes changes in assets and liabilities arising from the movements in rates or prices of securities or changes in exchange rates through 'Gains or losses from revaluation'. Given that the assets of the Fund are valued at fair value, embedded derivatives were not accounted for separately in 2004.

Income Tax

_____ Under effective tax regulations, the corporate income tax rate applicable to mutual funds is 5 percent.

_____ The accounting treatment of gains and losses from revaluation was changed starting from 1 January 2005. Securities are revalued through income and expense accounts. The balances of gains or losses from revaluation as of 31 December 2004 are transferred to accumulated profits or losses brought forward. Therefore, the deferred tax from gains or losses from revaluation was not computed as of 31 December 2004.

_____ The deferred tax asset arising from tax losses of previous years is not accounted for due to the uncertainty regarding its realization in the future.

Foreign Currency Translations

_____ Foreign currencies are translated using the exchange rate promulgated by the Czech National Bank as of the relevant date. As of the balance sheet date, assets and liabilities denominated in foreign currencies are translated on the same basis.

_____ Foreign exchange rate gains and losses from the daily translation of assets and liabilities in foreign currencies are posted to equity.

Shareholders' Equity

_____ The selling price of participation certificates is calculated as a proportion of the Fund's equity and the relevant number of participation certificates. Participation certificates are sold to investors using the selling price determined on a daily basis.

Share Premium

_____ Share premium used to be recorded as a component of capital funds. Starting from 2003, it is disclosed separately. Comparative information for previous periods was appropriately adjusted (refer to the 'Statement of changes in equity').

Interest Income and Expense

_____ Accrued interest relating to assets is included in the total balance of these assets. Beginning in 2003, interest income and expense also include gains or losses from hedging interest rate derivatives. Comparative information for previous periods was appropriately adjusted.

Adjustments Related to Prior Periods

_____ Adjustments to the previous years' income and expenses are recorded as income or expenses in the current year's profit and loss account, unless they relate to significant errors.

4. Risk Management

Credit Risk

_____ In accordance with the Statute and the investment strategy, the Company establishes rules and policies for selecting investment instruments such that the overall credit risk profile of allocated investments is consistent with the characteristics of the Fund. New types of instruments are approved on a case by case basis by the risk management function together with the specification of limits for positions pertaining to these instruments. Specific emphasis is placed on an appropriate rating structure and diversification of portfolios (especially in relation to credit portfolios and their interest components).

Market Risk

_____ The Fund uses a wide range of tools to eliminate risk exposures attached to its portfolios. Major attention is paid to market risks. Apart from statutory restrictions, the Fund is subject to a set of internal limits having a direct impact on the forex exposure, interest rate exposure (the modified duration range of the Fund), share allocation on individual markets according to their volatility, portfolio rating structure (see above), and other characteristics of the Fund. The relevant limits are appropriately applied to correspond with the type of Fund.

_____ Whenever the Fund purchases new types of instruments, these instruments are first analyzed to assess the potential credit risk (see above), as well as the market risk that the instruments might bring to or help eliminate from the portfolio. Subsequently, their appropriateness and, if appropriate, the acceptable proportion of these instruments in the portfolio is evaluated.

_____ The Fund monitors Value at Risk globally and also broken down to Foreign Exchange VaR, Interest Rate VaR and Equity VaR. Based on the

above values, the Fund identifies critical risk segments. This identification influences the re-investment process. The limits set up the maximum acceptable VaR for the Fund.

_____ Relative values of VaR in percentage for individual types of risks:

	31 December 2004	Average in 2004
Global VaR	0.86%	1.31%
Foreign Exchange VaR	0.17%	0.34%
Interest Rate VaR	0.85%	1.27%

_____ Relative risk exposure is calculated as a proportion of VaR (risk exposure in absolute terms) and the portfolio's market value. Relative VaR as of 31 December is determined with a 95% confidence level for 30 days. The 95% confidence level also applies to the average daily relative VaR determined for 30 days.

_____ Adherence to all the above limits and their effectiveness is monitored and assessed on an ongoing basis. The limits are reviewed, if necessary.

_____ The portfolio's risk of unfavorable development of foreign exchange rates, interest rates, and other market factors is hedged, to

an appropriate extent, by financial derivatives. Financial derivatives are purchased or sold on the OTC market as this market enables the trading of contracts whose parameters and nature appropriately satisfy the requirements of a hedge. Portfolios primarily include currency swaps, currency forwards and interest rate swaps. Derivative positions are therefore opened exclusively for the purpose of hedging, as described above.

Liquidity Risk

_____ Liquidity risk is a risk that the Fund will not have enough disposable resources to meet its obligations arising from financial contracts. Liquidity is monitored and managed based on expected cash flows, with appropriate adjustments made to the structure of securities and term placements portfolios.

_____ Pursuant to the Act, the Company is obliged to purchase a participation certificate without undue delay but not later than one month from the date when the repurchase right is claimed. Given that the Fund holds securities traded at foreign stock exchanges which can be realized within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

5. Additional Information on the Financial Statements

5.1. Receivables from Banks

Receivables from banks	2004	2003	2002
Current accounts	1,109,136	410,579	891,695
Term deposits	-	788,726	835,662
Total	1,109,136	1,199,305	1,727,357

_____ Current account balances are repayable on demand.

5.2. Securities

_____ Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to these Notes. All securities held by the Fund are publicly tradable at the Prague Stock Exchange or stock exchanges abroad. Participation certificates which are not tradable at stock exchanges are purchased and administered by the Company.

Shares, participation certificates and other holdings	2004	2003	2002
Acquisition cost	929,469	-	-
Market revaluation	-3,344	-	-
Total	926,125	-	-

Debt securities	2004	2003	2002
Acquisition cost	8,687,696	11,906,152	6,958,471
Market revaluation	269,520	-50,509	162,765
Discount charged on an accrual basis, premium	-16,376	-69,213	-22,264
Accrued interest income	147,864	199,249	82,838
Total	9,088,704	11,985,679	7,181,809

_____ Of the aggregate volume of debt securities, debt securities maturing within one year, debt securities maturing within more than one year with a variable coupon and debt securities maturing within more than one year with a fixed coupon account for 6.76%, 23.01% and 70.23%, respectively.

5.3. Other Assets

Other assets	2004	2003	2002
Receivables from securities trading	7,270	7,270	7,270
Tax receivable	16,800	-	231
Positive values of financial derivatives	19,110	-	-
Other receivables	42,544	37,600	65,130
Provisions	-7,270	-7,279	-7,279
Total	78,454	37,591	65,352

_____ Other receivables principally include local coupons of CZK 42,290 thousand due in January of the following year (2003: CZK 37,591 thousand; 2002: CZK 65,121 thousand). Provisions against receivables from securities trading in the amount of CZK 7,270 thousand were created prior to 2002.

5.4. Equity

_____ In accordance with the accounting policies, the Fund has no share capital. The nominal value of a participation certificate is CZK 1. The total nominal value of all participation certificates is posted to 'Capital funds'.

_____ Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded independently. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase.

_____ The selling price of a participation certificate is determined as a proportion of the Fund's equity and the number of participation certificates issued.

_____ The carrying value of a participation certificate as of 31 December 2004 was CZK 1.6105.

_____ In line with the Statute of the Fund, the profit generated in 2002 (CZK 253,799 thousand) and 2003 (CZK 339,031 thousand) was transferred to the 'Reinvestment fund' which is included in 'Other funds from profit'.

_____ The profit of CZK 338,075 thousand generated in 2004 will also be transferred to the 'Reinvestment fund' under the Statute.

Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Addition upon the Fund's merger	Total capital funds
Balance at 31 Dec 2002	5,684,439,850	5,684,440	6,347	5,690,787
Participation certificates sold	5,336,519,185	5,336,519	-	5,336,519
Participation certificates purchased	-2,322,394,132	-2,322,394	-	-2,322,394
Balance at 31 Dec 2003	8,698,564,903	8,698,565	6,347	8,704,912
Participation certificates sold	865,924,199	865,924	-	865,924
Participation certificates purchased	-2,624,011,004	-2,624,011	-	-2,624,011
Balance at 31 Dec 2004	6,940,478,098	6,940,478	6,347	6,946,825

Gains and Losses from Revaluation

	From assets and liabilities	From hedging derivatives	Total gains and losses from revaluation
Balance at 31 Dec 2002	145,770	-29,684	116,086
Of which: debt securities	162,765	-	-
other assets and liabilities	3,492	-	-
deferred tax	-20,486	-	-
Balance at 31 Dec 2003	-54,599	-9,198	-63,797
Of which: debt securities	-50,509	-	-
other assets and liabilities	-4,090	-	-
Balance at 31 Dec 2004	265,192	18,193	283,385
Of which: debt securities	269,520	-	269,521
other assets and liabilities	-4,328	18,193	13,864

5.5. Other Liabilities

Other liabilities	2004	2003	2002
Negative values of financial derivatives	4,741	10,997	29,684
Payables from management fees	9,139	12,084	8,450
Payables from securities trading	-	-	439,061
Payables from shareholders' placements	7,839	3,995	23,575
Deferred tax liability	-	-	20,486
Tax liability	-	11,045	-
Other payables	1,640	816	2,524
Total	23,359	38,937	523,780

_____ Payables from securities transactions in 2002 involve unsettled transactions as of 31 December 2002.

5.6. Accrued Expenses and Deferred Income

_____ Accrued expenses relate to the unbilled custody fee of CZK 1,219 thousand related to December 2004 (2003: CZK 1,300 thousand; 2002: 1,044 thousand).

5.7. Financial Derivatives Posted as Hedging Derivatives

	Nominal value		Nominal value		Nominal value	
	2004 assets	2004 liabilities	2003 assets	2003 liabilities	2002 assets	2002 liabilities
Currency instruments						
Currency swaps	1,179,997	1,179,997	5,234,528	5,234,528	1,394,774	1,394,774
Currency forwards	-	-	-	-	224,700	224,700
Total currency instruments	1,179,997	1,179,997	5,234,528	5,234,528	1,619,474	1,619,474
Interest rate instruments						
Interest rate swaps	62,330	62,330	402,330	402,330	-	-
Total interest rate instruments	62,330	62,330	402,330	402,330	-	-
Total	1,242,327	1,242,327	5,636,858	5,636,858	1,619,474	1,619,474

	2004 positive	Fair value 2004 negative	2003 positive	Fair value 2003 negative	2002 positive	Fair value 2002 negative
Currency instruments						
Currency swaps	16,904	-	-	3,791	-	27,120
Currency forwards	-	-	-	-	-	2,564
Total currency instruments	16,904	-	-	3,791	-	29,684
Interest rate instruments						
Interest rate swaps	2,206	4,741	-	7,206	-	-
Total interest rate instruments	2,206	4,741	-	7,206	-	-
Total	19,110	4,741	-	10,997	-	29,684

_____ Currency derivatives are due within one year. The maturity of interest rate swaps exceeds one year.

5.8. Interest Income and Expense

Income	2004	2003	2002
Interest on deposits at banks	30,041	94,275	51,255
Interest on debt securities	454,681	415,934	203,742
Interest on hedging derivatives	9,564	1,316	-
Total	494,286	511,525	254,997
Expense	2004	2003	2002
Interest on overdraft account	-	-	2
Interest on derivatives	14,828	3,567	-
Total	14,828	3,567	2

_____ Beginning in 2003, interest income and expense also include gains or losses from hedging interest rate derivatives. Comparative information for previous periods was appropriately adjusted.

5.9. Fees and Commissions

	2004	2003	2002
Management fees	114,125	138,911	63,281
Custody fees	14,681	15,136	7,898
Commissions and fees from securities trading	85	27	132
Amounts paid to the Securities Center	580	422	70
Administration of securities	5,167	2,990	858
Other fees and commissions	303	474	375
Total	134,941	157,960	72,614

_____ In compliance with the Statute of the Fund, the management fee paid to the Company amounts to 1.00% of the average annual equity value of the Fund.

_____ Pursuant to the custody service contract entered into with Česká spořitelna, a. s., the Fund paid a fee equal to 0.12% of its average annual equity value until 30 April 2004. Starting from 1 May 2004, the fee equals 0.11% of the Fund's average annual equity value increased by the standard VAT rate.

5.10. Profit or Loss from Financial Operations

	2004	2003	2002
Profit (loss) from securities held for trading	9,801	132,809	-4,587
Profit (loss) from FX differences	14,259	59,998	61,775
Profit (loss) from derivatives	-12,822	-143,890	53,196
Total	11,238	48,917	110,384

_____ Profit or loss from foreign exchange rate differences relates to the amount of realized foreign exchange rate differences on foreign currency accounts and from the settlement of foreign receivables and payables.

_____ Profit or loss from derivatives relates to the profit or loss arising from the settlement of fixed term transactions with currency instruments.

5.11. Administrative Expenses

Administrative expenses	2004	2003	2002
Audit	292	255	102
Other expenses	-	-	-
Total	292	255	102

5.12. Income Tax**Main Income Tax Components Are:**

	2004	2003	2002
Tax payable – current year	17,845	59,629	39,252
Total income tax	17,845	59,629	39,252

_____ The Fund began to account for deferred tax in 2002. The deferred tax liability for 2002 totaled CZK 20,486 thousand.

Current Income Tax – Analysis:

	31 December 2004
Profit/(loss) before tax	355,920
Items to add	78
Deductible items	466
Other – tax losses carried forward	-
Tax base	355,532
Tax on tax base	17,776
Dividends abroad	457
Tax on dividends abroad	69
Additional tax payments	-
Total tax	17,845

5.13. Related Party Transactions

_____ Related parties include Česká spořitelna, a. s. and the Company.

	2004	2003	2002
Payables from management fees – ISČS, a. s.	9,139	12,084	8,450
Custody fee for December 2004 not yet billed – ČS, a. s.	406	1,300	1,044
Other payables to related parties	1,235	519	471,194
Total	10,780	13,903	480,688

_____ The costs charged to the Fund by Česká spořitelna, a. s. in 2004 totaled CZK 20,237 thousand (2003: CZK 18,628 thousand, 2002: CZK 8,987 thousand), of which the greatest portion was represented by the custody fee of CZK 14,681 thousand (2003: CZK 15,136 thousand, 2002: CZK 7,898 thousand).

_____ The annual management fee charged by the Company amounted to CZK 114,125 thousand (2003: CZK 138,911 thousand, 2002: CZK 63,281 thousand).

5.14. Liquidity

_____ The following table shows residual maturity of assets broken down by major types. Given that all securities are traded on public markets, sales can be effected within three months.

	Less than 3 months	3 months– –1 year	1–5 years	Over 5 years	Not specified	Total
Receivables from banks	1,109,136	-	-	-	-	1,109,136
Debt securities	252,563	361,599	4,149,757	4,324,785	-	9,088,704
Participation certificates	-	-	-	-	926,125	926,125
Other assets	59,344	-	-	-	19,110	78,454
Total assets	1,421,043	361,599	4,149,757	4,324,785	945,235	11,202,419

5.15. Off-Balance Sheet Assets and Liabilities

_____ The item 'Assets provided into custody, administration and safekeeping' relates to foreign and local securities administered by Česká spořitelna, a. s.

5.16. Contingent Assets and Liabilities

_____ The Fund has no assets or liabilities that were not disclosed in the balance sheet or off-balance sheet records as of 31 December 2004.

5.17. Compliance with Section 24 (1) to (5) of Act No. 248/1992 Coll.

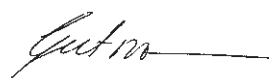
_____ As of 31 December 2004, the Fund did not breach the limit set under Section 24 (1) to (5) of Act no. 248/1992 Coll., as amended.

5.18. Subsequent Events

_____ On 28 January 2005, the Company filed a petition with the Securities Commission regarding the change of the Statute of the Fund resulting from its transformation to a standard fund complying with the requirements of European Community law and in connection with bringing the Statute in line with the Collective Investing Act no. 189/2004 Coll.



Petr Zapletal
Chairman of the Board of Directors
Investiční společnost České spořitelny, a. s.



Guntard Gutmann
member of the Board of Directors
Investiční společnost České spořitelny, a. s.

Portfolio at 31 December 2004

ISIN	Name of the security	No.	Market value	Total market value	Total market accrued interest income
CZ0000000070	AHOLD NV VAR/05	16,000	9,955.00	159,280,000.00	1,469,866.67
CZ0003700569	CESKA POJISTOVNA VAR/06	20	995,000.00	19,900,000.00	-27,733.33
CZ0003501355	CESKY TELECOM 3.5/08	237	992,600.00	235,246,200.00	3,940,125.00
CZ0003501306	CESKY TELECOM 4.55/05	9,800	10,105.00	99,029,000.00	2,043,708.34
CZ0003501348	CEZ 3.35/06-08	6,000	9,955.00	59,730,000.00	1,044,083.33
CZ0003700767	CSPO VAR/2014	52	10,014,200.00	520,738,400.00	7,044,844.44
CZ0003501207	SKODA AUTO 7.25/05	600	103,650.00	62,190,000.00	773,333.33
CZ0003501181	SKODA AUTO VAR/07	800	99,680.00	79,744,000.00	411,022.22
CZ0003501199	SKODA AUTO VAR/10	500	99,080.00	49,540,000.00	264,000.00
CZ0003501397	SPRAVA ZEL.DOPR.CESTY 4.6/03-11	10,000	10,500.00	105,000,000.00	3,795,000.00
Local bonds after 1. 1. 1998 – corporate				1,390,397,600.00	20,758,250.00
CZ0001000863	CZECH GB 3.95/02-08-07	19,500	10,226.00	199,407,000.00	3,166,583.34
CZ0001000798	SD 2.9/08	10,000	9,907.00	99,070,000.00	2,279,722.22
CZ0001000814	SD 3.7/13	84,350	9,789.00	825,702,150.00	16,818,452.79
CZ0001000855	SD 3.8/09	156,500	10,180.00	1,593,170,000.00	45,924,055.49
CZ0001000822	SD 4.6/18	111,600	10,216.00	1,140,105,600.00	18,823,200.04
CZ0001000764	SD 6.55/11	69,400	11,646.00	808,232,400.00	10,732,902.79
CZ0001000749	SD 6.95/16	60,400	12,406.00	749,322,400.00	-3,031,744.42
Local bonds after 1. 1. 1998 – state				5,415,009,550.00	94,713,172.25
XS0109961630	BGB IRELAND 6.75/05	600	25,253.15	15,151,890.00	724,006.85
XS0143983251	BREMER LBCM 5/07	800	25,939.78	20,751,820.00	821,917.81
XS0131260977	DEUTSCHE APO ARZT 6.25/07	2,000	26,572.25	53,144,500.00	1,498,287.67
XS0174316256	DEXIA CREDIT LOCAL BARR-SKK/EUR	660	537,400.00	354,684,000.00	6,496,875.00
XS0090897488	ERSTE BANK 10.16/08	9	12,277,517.09	110,497,653.81	2,463,800.00
XS0185557609	ERSTE BANK BARR-PLN/EUR	19	10,465,400.00	198,842,600.00	3,477,950.00
XS0184656121	EUROPEAN CREDIT LUX VAR/21/01/07	20,000	10,010.11	200,202,200.00	601,333.34
XS0134333052	FORD CREDIT EUROPE BANK VAR/06	2,600	24,562.50	63,862,500.00	124,800.00
XS0173759118	GENERAL MOTORS IF VAR/08-06	1,300	101,250.00	131,625,000.00	2,194,400.00
XS0117330851	HYPALPE ADRIA 6.75/05	800	25,709.15	20,567,320.00	369,863.01
XS0126007474	MONUMENT GLOBAL FUNDING 5.75/05	1,200	25,122.30	30,146,760.00	1,370,547.95
XS0172975111	RWE VAR/04-09	1,950	99,937.50	194,878,125.00	1,148,875.00
XS0122851081	SNS BANK 6.0/05	800	25,060.25	20,048,200.00	1,091,803.28
XS0146802763	VIVENDI ENVIRONNEMENT VAR/09 I	800	100,992.32	80,793,854.88	457,800.00
XS0159722205	VORARLBERG LND-HYPOBK 3.25/12-07	2,000	24,989.50	49,979,000.00	62,328.77
XS0143869807	VORARLBERG LND-HYPOBK 5/07	2,400	25,944.08	62,265,780.00	2,473,972.60
XS0193834156	CEZ FINANCE 4.625/08-06-11 (EUR)	2,200	31,794.98	69,948,956.09	1,749,483.94
HU0000338470	DIAKHITEL KOZPONT VAR/06	50,000	1,222.65	61,132,415.75	4,740,874.30

ISIN	Name of the security	No.	Market value	Total market value	Total market accrued interest income
Foreign bonds – corporate				1,738,522,575.53	31,868,919.52
XS0180416934	EIB 2.97/28-11-08	195	1,010,283.60	197,005,302.00	523,615.07
Foreign bonds – state				197,005,302.00	523,615.07
770,040,000,018	ISCS KORPORATNI DLUHOPISOVY	200,000,000	1.02	204,160,000.00	0.00
Domestic unit certificates				204,160,000.00	0.00
AT0000809165	ESPA BOND EMERGING-MARKETS	91,553	3,265.85	298,998,181.94	0.00
AT0000805684	ESPA BOND EUROPE-HIGH YIELD	36,575	2,913.06	106,545,290.20	0.00
AT0000637491	ESPA BOND USA HIGH YIELD	30,625	3,452.29	105,726,497.63	0.00
AT0000626031	ESPA CASH ASSET-BACKED	34,096	3,090.67	105,379,629.23	0.00
AT0000626056	ESPA SHORT TERM-PREFERRED A	33,888	3,107.73	105,314,911.82	0.00
Foreign participation certificates				721,964,510.82	0.00
20,701,437	070105 MF CZ0001000988	200	999,528.89	199,905,777.40	0.00
Local treasury bills				199,905,777.40	0.00
Total portfolio				9,866,965,315.75	147,863,956.84

Auditor's Report to the Shareholders of of the fund Investiční společnost České spořitelny, a. s., Trendbond – otevřený dluhopisový podílový fond

Having its registered office at: Praha 1, Staré Město, Na Perštýně 342/1

Identification number: 44796188

Principal activities: open – ended mutual fund

We have audited the accompanying financial statements of the fund Investiční společnost České spořitelny, a. s., Trendbond for the year ended 31 December 2004. These financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on the financial statements, taken as a whole, based on our audit.

We conducted our audit in accordance with the Act on Auditors and the auditing standards issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and conduct the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, the accounting records and other evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Company in the preparation of the financial statements, as well as evaluation of the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion on the financial statements.

In our opinion, the financial statements give a true and fair view, in all material respects, of the assets, liabilities, equity and financial position of the fund Investiční společnost České spořitelny, a. s., Trendbond as of 31 December 2004 and of the results of its operations for the year then ended in accordance with the Accounting Act and applicable Czech regulations.

In Prague on 14 March 2005



Audit firm:

Deloitte s. r. o.

Certificate no. 79

Represented by:

Michal Petrman, statutory executive



Statutory auditor:

Michal Petrman

Certificate no. 1105

Balance Sheet as at 31 December 2004

Assets (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Receivables from banks	01	118,506	225,717	216,513
of which: a/current accounts	02	118,506	118,450	85,077
b/term deposits	03		107,267	131,436
c/repo transactions	04			
2 Receivables from non-banking entities	05			
of which: repo transactions	06			
3 Debt securities	07	1,047,728	1,525,463	564,727
a/issued by the government	08	1,003,948	1,483,536	564,727
b/issued by other entities	09	43,780	41,927	
4 Shares, unit certificates and other participation interests	10	61,777		
5 Other assets	11	10,305		2,364
a/derivatives	12	3,148		
b/receivables from securities trading	13			
c/receivables from taxes	14	7,127		
d/other assets	15	30		2,364
6 Deferred expenses and accrued income	16		70	
Total assets	17	1,238,316	1,751,250	783,604

Liabilities (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Payables to banks	18			
of which: repo transactions	19			
2 Payables to non-banking entities	20			
of which: repo transactions	21			
3 Other liabilities	22	3,012	4,278	8,908
a/derivatives	23	851	127	2,101
b/liabilities from securities trading	24			
c/liabilities from taxes	25		1,440	1,603
d/other liabilities	26	2,161	2,711	5,204
4 Deferred income and accrued expenses	27	135	157	87
5 Reserves	28			
of which: for taxes	29			
6 Share premium	30	60,049	101,135	18,069
7 Other funds from profit	31	86,229	38,424	3,205
8 Capital funds	32	1,069,969	1,682,686	707,844
9 Gains or losses from revaluation	33	2,829	-123,235	10,272
a/from assets and liabilities	34	174	-123,108	12,373
b/from hedging derivatives	35	2,655	-127	-2,101
10 Retained earnings or accumulated losses from previous periods	36			
11 Profit or loss for the accounting period	37	16,093	47,805	35,219
Total liabilities	38	1,238,316	1,751,250	783,604
of which: equity	39	1,235,169	1,746,815	774,609

Off Balance Sheet Accounts at 12/31/2004

Off balance sheet assets (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Amounts due from repo transactions	01			
2 Amounts due from fixed term transactions	02	289,272	622,040	129,591
a/with interest rate instruments	03	26,040		
b/with currency instruments	04	263,232	622,040	129,591
3 Receivables written off	05			
4 Assets provided into custody, administration and safekeeping	06	1,109,505	1,342,410	444,808
of which: securities	07	1,109,505	1,342,410	444,808
5 Received guarantees and collateral	08			
6 Amounts owed from fixed term transactions	09	289,272	622,040	129,591
a/with interest rate instruments	10	26,040		
b/with currency instruments	11	263,232	622,040	129,591

Profit and Loss Account for the Year Ended 12/31/2004

Item (in thousands CZK)	Line	Result in accounting period		
		Current	Previous 1	Previous 2
1 Interest income and similar income	01	88,260	88,752	39,627
of which: a/interest income from bonds	02	77,475	68,050	33,517
b/interest from repo transactions	03			
2 Interest expenses and similar expenses	04	2,502		
3 Income from shares and unit certificates	05			
4 Commission and fee expenses	06	23,479	26,529	10,143
a/fees and commissions from securities trading	07	64	4	48
b/administrative fee	08	20,435	23,457	8,780
c/custody fee	09	1,727	1,859	868
d/other financial expenses	10	1,253	1,209	447
5 Profit or loss on financial operations	11	-45,189	-5,849	12,014
of which: a/profit or loss on transactions with securities	12	-65,045	4,913	6,326
b/profit or loss on foreign exchange transactions and options	13	995	-2,568	2,354
c/profit or loss on fixed term transactions and options	14	18,861	-8,194	3,334
6 Other operating income	15		2	
7 Other operating expenses	16			
8 Administrative expenses	17	150	135	64
a/audit	18	150	135	64
b/other administrative expenses	19			
9 Release of provisions against receivables and income from receivables written off	20			
10 Depreciation and creation of provisions against receivables	21			
11 Ordinary profit or loss for the accounting period before tax	22	16,940	56,241	41,434
12 Extraordinary income	23			
13 Extraordinary expenses	24			
14 Extraordinary profit or loss for the accounting period before tax	25			
15 Income tax	26	847	8,436	6,215
16 Profit or loss for the accounting period after tax	27	16,093	47,805	35,219

Statement of Changes in Equity for the Year Ended 12/31/2004

Assets (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Share premium	01			
opening balance	02	101,135	18,069	2,487
issued unit certificates	03	14,451	105,717	16,462
repurchase of unit certificates	04	-55,537	-22,651	-880
other changes	05			
closing balance	06	60,049	101,135	18,069
2 Retained earnings	07			
opening balance	08	38,424	3,205	
transfers to funds	09	47,805	35,219	3,205
other changes	10			
closing balance	11	86,229	38,424	3,205
3 Capital funds	12			
opening balance	13	1,682,686	707,844	386,629
issued unit certificates	14	151,944	1,358,565	408,665
repurchase of unit certificates	15	-764,661	-383,723	-87,450
transfers to funds	16			
other changes	17			
closing balance	18	1,069,969	1,682,686	707,844
4 Gains or losses from revaluation	19			
opening balance	20	-123,235	10,272	3,481
foreign exchange rate differences and gains or losses from revaluation	21	126,064	-133,507	6,791
closing balance	22	2,829	-123,235	10,272
5 Retained earnings or accumulated losses from previous periods	23			
opening balance	24			
other changes	25			
closing balance	26			
6 Profit (loss) for the current period after taxes	27			
opening balance	28	47,805	35,219	3,205
profit (loss)	29	16,093	47,805	35,219
transfers to funds, dividends	30	-47,805	-35,219	-3,205
closing balance	31	16,093	47,805	35,219
7 Total	32	1,235,169	1,746,815	774,609

Notes to the Financial Statements for the Year Ended 31 December 2004

1. Background Information and Principle Operations

Incorporation and Description of the Fund

Investiční společnost České spořitelny a. s., Trendbond – otevřený dluhopisový podílový fond (hereinafter the “Fund”) is an accounting unit without legal entity status, incorporated by Investiční společnost České spořitelny, a. s. (hereinafter the “Company”) as an open-ended mutual bond fund under the Act no. 248/1992 Coll., as subsequently amended, based upon the Resolution of the Ministry of Finance of the Czech Republic dated 11 October 1997. The Fund began its operations on 29 October 2001.

Pursuant to a concluded contract, Česká spořitelna, a. s. acts as the depository of the Fund.

As of 1 May 2004, the Collective Investing Act no. 189/2004 (hereinafter the “Act”) took legal effect. Section 140 of this Act invalidates the Investment Companies and Funds Act no. 248/1992 Coll. Pursuant to the provisions of Section 136 (4) and (8) and Section 84 (14) of the Act, the current Statute of the Fund remains in force during the transition period until the new Statute becomes effective (no later than 30 April 2005); this also applies to the references to the provisions of the Act no. 248/1992 Coll. made in the Statute and the related legal regulations.

The Fund is managed by the Company. In accordance with the Act, the Company is responsible for the management of the assets of the Fund, which involves the administration and care of the assets.

Registered Office

Investiční společnost České spořitelny, a. s.
Trendbond – otevřený podílový fond
Praha 1, Staré Město, Na Perštýně 342/1

Principal Operations

The Company collects finance of individuals and corporate entities for the Fund by issuing participation certificates with the purpose of their collective investment on local and foreign money and capital markets. No restrictions are placed on the number of participation certificates for issue and their selling period.

The Fund conducts its operations solely on the territory of the Czech Republic.

Investment Policy

The objective of the Fund is to increase the value of investments for its investors primarily by purchasing bonds of European Union member states. The Fund is managed in a way seeking to benefit from the decrease, if any, of interest income while maximizing the income from changes in the exchange rates. Due to a significant proportion of foreign currencies in the portfolio, which is not limited in terms of volume, the value of the investments has a high short-term fluctuation rate.

The goal of the Fund’s portfolio is to exceed, on a long-term basis, the yield on short-term Czech state bonds. There is no guarantee that this objective will be fulfilled.

Finances collected by the Fund are invested in bonds, money market instruments and other debt securities permitted by the Act. In making investments for the Fund’s portfolio, preference is given to purchasing debt securities issued by issuers with an investment grade credit rating.

The currency weight and the average period to maturity are actively managed to reflect the anticipated future developments of interest rates and exchange rates in a manner ensuring that the objectives of the Fund are met.

The Fund uses financial derivatives to hedge against interest rate and foreign currency exposures.

2. Basis of Preparation of the Financial Statements

The financial statements have been prepared on the basis of underlying accounting records maintained in accordance with the Accounting Act 563/1991 Coll., and applicable regulations, decrees and internal standards in compliance with and in the scope defined in the Czech Finance Ministry Regulation no. 501/2001 of 6 November 2002, as subsequently amended, which sets out the overall framework for the presentation of the financial statements, and guidelines for the structure and minimum requirements for the content of the financial statements of banks and certain financial institutions, and Czech Accounting Standards, which establish the accounting principles and policies for financial institutions.

The information disclosed for the two immediately preceding accounting periods is reported in line with the requirements of the year to which the financial statements relate.

The Fund is obliged to comply with the regulatory requirements of the Act.

The accounting records are maintained in compliance with general accounting principles, specifically the accruals principle, the prudence concept and the going concern assumption.

The financial statements contain the balance sheet, profit and loss account, off balance sheet records, statement of changes in equity, and notes to the financial statements.

The preparation of the financial statements requires that the Fund make estimates which have an impact on the reported amounts of assets and liabilities as well as expenses and income in the relevant accounting period. These estimates are based on information available as of the date of the financial statements and may differ from the actual results.

These financial statements are unconsolidated.

All figures are stated in thousands of Czech crowns (CZK), unless indicated otherwise.

3. Accounting Methods Applied

Transaction Date

_____ Purchases and sales of securities are recognized upon conclusion of the related contract (the trade date) provided that the period between the trade date and the fulfillment of the commitment arising from the contract does not exceed a period typical for the relevant type of transaction.

_____ The transaction date for derivative contracts is:

- a) the date upon which the related contract was entered into;
- b) the date when the fair value of the derivative changed; and
- c) the date when performance was effected based on the relevant contract.

_____ The transaction date can also be the date when a receivable or payable arises, changes or ceases to exist, and when other matters to be included in the accounting records occur.

Securities

_____ In accordance with the Fund's strategy, all securities are classified as 'held for trading'. During the accounting period, securities are re-measured to fair value on a daily basis pursuant to Finance Ministry Regulation no. 207/2004 Coll., on determination of fair value of the assets and liabilities of a collective investment fund and the determination of current value of shares of participation certificates of a collective investment fund (henceforth the "Regulation"). The differences between the acquisition cost of securities and the cost determined under the above Regulation are recorded to the balance sheet account 'Gains or losses from revaluation.' Pursuant to the Regulation, securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the rules set out in the Regulation. If the value is not determinable on this basis, the Fund uses a value determined by the Company with due care and diligence, i.e. the values are determined using valuation models based on discounted future cash flows according to the rate of return calculated with reference to the Reuters and Condor+ systems.

_____ Securities are initially measured at cost. The acquisition cost includes direct transaction costs related to the acquisition of securities.

_____ The difference between the cost and nominal value of the purchased debt securities is amortized, using the straight line method, through the income statement from the moment of the securities' acquisition through their maturity.

_____ Upon the sale of securities, the difference between the selling price and the cost of the sold securities determined using the weighted arithmetic average is recorded to income and expense accounts. Realized capital gains and losses are charged through the profit and loss account component 'Profit or loss from financial transactions'.

_____ The accrued interest income on purchased debt securities in the amount set out in the issuing conditions is recorded to a special sub-ledger account of assets. The interest income accrued over the holding period

is included in the value of the debt securities and is posted to a special sub-ledger asset account with a corresponding entry to interest income.

Other Receivables

_____ The Fund records receivables arising from its transactions with securities, receivables from positive fair values of derivatives and other operating receivables.

_____ According to the principle of prudence, provisions are created against outstanding receivables associated with coupons due from insolvent issuers and against other bad debts.

_____ The Fund recorded no provisions for the year ended 31 December 2004.

Loans and Borrowings

_____ The Fund may accept loans under the conditions defined in the Act to cover a temporary lack of finances.

Financial Derivatives and Hedging Transactions

_____ In the normal course of business, the Fund enters into hedging contracts with financial derivatives to hedge against interest rate and foreign currency exposures associated with its transactions on financial markets.

_____ The Fund designates certain derivatives as hedges provided that the following criteria are met:

- > the Fund has developed a risk management strategy;
- > at the inception of the hedge, the hedging relationship is formally documented, the documentation identifies the hedged item and the hedging instrument, defines the risk that is being hedged and the approach to establishing whether the hedge is effective; and
- > the hedge is effective, that is, changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80 percent to 125 percent.

_____ Nominal values of derivative financial instruments are initially recognized in the off-balance sheet accounts. Changes in the fair value of derivatives that are designated and qualify as hedges (see above) are recorded in the balance sheet account 'Gains or losses from revaluation', which is included in equity. All financial derivatives are recorded as assets when fair value is positive and as liabilities when fair value is negative. Fair values are based on the valuation models.

_____ The balances recognized in the balance sheet are transferred to the profit and loss account and classified as income and expenses in the period in which the hedged asset or liability impacts the profit and loss account.

_____ Certain derivatives are embedded in compound financial instruments, which comprise the host instrument and the derivative. Pursuant to the applicable regulations, the Fund recognizes changes in assets and liabilities arising from the movements in rates or prices of securities or

changes in exchange rates through 'Gains or losses from revaluation'. Given that the assets of the Fund are valued at fair value, embedded derivatives were not accounted for separately in 2004.

Income Tax

Under effective tax regulations, the corporate income tax rate applicable to mutual funds is 5 percent.

The accounting treatment of gains and losses from revaluation was changed starting from 1 January 2005. Securities are revalued through income and expense accounts. The balances of gains or losses from revaluation as of 31 December 2004 are transferred to accumulated profits or losses brought forward. Therefore, the deferred tax from gains or losses from revaluation was not computed as of 31 December 2004.

The deferred tax asset arising from tax losses of previous years is not accounted for due to the uncertainty regarding its realization in the future.

Foreign Currency Translations

Foreign currencies are translated using the exchange rate promulgated by the Czech National Bank as of the relevant date. As of the balance sheet date, assets and liabilities denominated in foreign currencies are translated on the same basis.

Foreign exchange rate gains and losses from the daily translation of assets and liabilities in foreign currencies are posted to equity.

Shareholders' Equity

The selling price of participation certificates is calculated as a proportion of the Fund's equity and the relevant number of participation certificates. Participation certificates are sold to investors using the selling price determined on a daily basis.

Share Premium

Share premium used to be recorded as a component of capital funds. Starting from 2003, it is disclosed separately. Comparative information for previous periods was appropriately adjusted (refer to the 'Statement of changes in equity').

Interest Income and Expense

Accrued interest relating to assets is included in the total balance of these assets.

Adjustments Related to Prior Periods

Adjustments to the previous years' income and expenses are recorded as income or expenses in the current year's profit and loss account, unless they relate to significant errors.

4. Risk Management

Credit Risk

In accordance with the Statute and the investment strategy, the Company establishes rules and policies for selecting investment instruments such that the overall credit risk profile of allocated investments is consistent with the characteristics of the Fund. New types of instruments are approved on a case by case basis by the risk management function together with the specification of limits for positions pertaining to these instruments. Specific emphasis is placed on an appropriate rating structure and diversification of portfolios (especially in relation to credit portfolios and their interest components).

Market Risk

The Fund uses a wide range of tools to eliminate risk exposures attached to its portfolios. Major attention is paid to market risks. Apart from statutory restrictions, the Fund is subject to a set of internal limits having a direct impact on the forex exposure, interest rate exposure (the modified duration range of the Fund), share allocation on individual markets according to their volatility, portfolio rating structure (see above), and other characteristics of the Fund. The relevant limits are appropriately applied to correspond with the type of Fund.

Whenever the Fund purchases new types of instruments, these instruments are first analyzed to assess the potential credit risk (see above), as well as the market risk that the instruments might bring to or help eliminate from the portfolio. Subsequently, their appropriateness and, if appropriate, the acceptable proportion of these instruments in the portfolio is evaluated.

The Fund monitors Value at Risk globally and also broken down to Foreign Exchange VaR, Interest Rate VaR and Equity VaR. Based on the above values, the Fund identifies critical risk segments. This identification influences the re-investment process. The limits set up the maximum acceptable VaR for the Fund.

Relative values of VaR in percentage for individual types of risks:

	31 December 2004	Average in 2004
Global VaR	2.24%	2.71%
Foreign Exchange VaR	2.10%	2.34%
Equity VaR	0.65%	1.13%

Relative risk exposure is calculated as a proportion of VaR (risk exposure in absolute terms) and the portfolio's market value. Relative VaR as of 31 December is determined with a 95% confidence level for 30 days. The 95% confidence level also applies to the average daily relative VaR determined for 30 days.

Adherence to all the above limits and their effectiveness is monitored and assessed on an ongoing basis. The limits are reviewed, if necessary.

_____ The portfolio's risk of unfavorable development of foreign exchange rates, interest rates, and other market factors is hedged, to an appropriate extent, by financial derivatives. Financial derivatives are purchased or sold on the OTC market as this market enables the trading of contracts whose parameters and nature appropriately satisfy the requirements of a hedge. Portfolios primarily include currency swaps, currency forwards and interest rate swaps. Derivative positions are therefore opened exclusively for the purpose of hedging, as described above.

Liquidity Risk

_____ Liquidity risk is a risk that the Fund will not have enough disposable resources to meet its obligations arising from financial contracts. Liquidity is monitored and managed based on expected cash flows, with

appropriate adjustments made to the structure of securities and term placements portfolios.

_____ Pursuant to the Act, the Company is obliged to purchase a participation certificate without undue delay but not later than one month from the date when the repurchase right is claimed. Given that the Fund holds securities traded at foreign stock exchanges which can be realized within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

5. Additional Information on the Financial Statements

5.1. Receivables from Banks

Receivables from banks	31 Dec 2004	31 Dec 2003	31 Dec 2002
Current accounts	118,506	118,450	85,077
Term deposits		107,267	131,436
Total	118,506	225,717	216,513

_____ Current account balances are repayable on demand.

5.2. Securities

_____ Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to these Notes. All securities held by the Fund are publicly tradable at the Prague Stock Exchange or stock exchanges abroad. Participation certificates which are not tradable at stock exchanges are purchased and administered by the Company.

Shares, participation certificates and other holdings	31 Dec 2004	31 Dec 2003	31 Dec 2002
Acquisition cost	62,051	-	-
Market revaluation	-274	-	-
Total	61,777	-	-

Debt securities	31 Dec 2004	31 Dec 2003	31 Dec 2002
Acquisition cost	1,015,111	1,595,463	535,416
Market revaluation	967	-122,724	13,629
Discount charged on an accrual basis, premium	-829	2,559	1,784
Accrued interest income	32,479	50,165	13,898
Total	1,047,728	1,525,463	564,727

_____ Of the aggregate volume of debt securities, debt securities maturing within one year, debt securities maturing within more than one year with a variable coupon and debt securities maturing within more than one year with a fixed coupon account for 5.41%, 58.69% and 35.90%, respectively.

5.3. Other Assets

Other assets	31 Dec 2004	31 Dec 2003	31 Dec 2002
Positive fair values of derivatives	3,148	-	-
Tax receivable	7,127	-	-
Other assets	30	-	2,364
Total	10,305	-	2,364

5.4. Equity

_____ In accordance with the accounting policies, the Fund has no share capital. The nominal value of a participation certificate is CZK 1. The total nominal value of all participation certificates is posted to 'Capital funds'.

_____ Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded independently. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase.

_____ The selling price of a participation certificate is determined as a proportion of the Fund's equity and the number of participation certificates issued.

_____ The carrying value of a participation certificate as of 31 December 2004 was CZK 1.1544.

_____ In line with the Fund's Statute, the profit for 2003 (CZK 47,805 thousand) and 2002 (CZK 35,219 thousand) was transferred to the 'Reinvestment fund' which is included in 'Other funds from profit'.

_____ The profit of CZK 16,093 generated in 2004 will also be transferred to the 'Reinvestment fund' under the Statute.

Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Total capital funds
Balance at 31 Dec 2002	707,843,542	707,844	707,844
Participation certificates sold	1,358,565,091	1,358,565	1,358,565
Participation certificates purchased	-383,723,127	-383,723	-383,723
Balance at 31 Dec 2003	1,682,685,506	1,682,686	1,682,686
Participation certificates sold	151,943,631	151,944	151,944
Participation certificates purchased	-764,661,212	-764,661	-764,661
Balance at 31 Dec 2004	1,069,967,925	1,069,969	1,069,969

Gains and Losses from Revaluation

	From assets and liabilities	From hedging derivatives	Total gains and losses from revaluation
Balance at 31 Dec 2002	12,373	-2,101	10,272
Of which: debt securities	13,629		
other assets and liabilities	556		
deferred tax	-1,812		
Balance at 31 Dec 2003	-123,108	-127	-123,235
Of which: debt securities	-122,724		
other assets and liabilities	-384		
Balance at 31 Dec 2004	174	2,655	2,829
Of which: debt securities	967		
other assets and liabilities	-793		

5.5. Other Liabilities

Other liabilities	31 Dec 2004	31 Dec 2003	31 Dec 2002
Negative values of financial derivatives	851	127	2,101
Payables from management fees	1,544	2,184	968
Payables from shareholder placements	297	304	1,914
Deferred tax liability	-	-	1,813
Tax liability	-	1,440	1,603
Other payables	320	223	509
Total	3,012	4,278	8,908

5.6. Accrued Expenses and Deferred Income

Accrued expenses relate to the unbilled custody fee of CZK 135 thousand related to December 2004 (2003: CZK 157 thousand; 2002: CZK 87 thousand).

5.7. Financial Derivatives Posted as Hedging Derivatives

	Nominal value		Nominal value		Nominal value	
	2004 assets	2004 liabilities	2003 assets	2003 liabilities	2002 assets	2002 liabilities
Currency instruments						
Currency swaps	263,232	263,232	380,479	380,479	81,659	81,659
Currency forwards			241,561	241,561	47,932	47,932
Total currency instruments	263,232	263,232	622,040	622,040	129,591	129,591
Interest rate instruments						
Interest rate swaps	26,040	26,040	-	-	-	-
Total interest rate instruments	26,040	26,040	-	-	-	-
Total	289,272	289,272	622,040	622,040	129,591	129,591

	Fair value		Fair value		Fair value	
	2004 positive	2004 negative	2003 positive	2003 negative	2002 positive	2002 negative
Currency instruments						
Currency swaps	2,490	-	-	280	-	1,554
Currency forwards	-	-	153	-	-	547
Total currency instruments	2,490	-	153	280	-	2,101
Interest rate instruments						
Interest rate swaps	658	851	-	-	-	-
Total interest rate instruments	658	851	-	-	-	-
Total	3,148	851	153	280	-	2,101

Currency derivatives are due within one year. Interest rate derivatives are due within more than five years.

5.8. Interest Income and Expense

Income	2004	2003	2002
Interest on deposits at banks	10,785	20,702	6,110
Interest on debt securities	77,475	68,050	33,517
Total	88,260	88,752	39,627
Expense	2004	2003	2002
Interest on hedging derivatives	2,502	-	-
Total	2,502	-	-

5.9. Fees and Commissions

	2004	2003	2002
Management fees	20,435	23,457	8,780
Custody fees	1,727	1,859	868
Commissions and fees from securities trading	64	4	48
Amounts paid to the Securities Center	133	92	25
Administration of securities	1,041	995	346
Other fees and commissions	79	122	75
Total	23,479	26,529	10,142

_____ In compliance with the Statute of the Fund, the management fee paid to the Company amounts to 1.50% of the average annual equity value of the Fund.

_____ Pursuant to the custody service contract entered into with Česká spořitelna, a. s., the Fund paid a fee equal to 0.12% of its average annual equity value until 30 April 2004. Starting from 1 May 2004, the fee equals 0.11% of the Fund's average annual equity value increased by the standard VAT rate.

5.10. Profit or Loss from Financial Operations

	2004	2003	2002
Profit (loss) from securities held for trading	-65,045	4,913	6,326
Profit (loss) from derivatives	18,861	-8,194	3,334
Profit (loss) from FX differences	995	-2,658	2,354
Total	-45,189	-5,849	12,014

_____ Profit or loss from derivatives relates to the profit or loss arising from the settlement of fixed term transactions with currency instruments.

_____ Profit or loss from foreign exchange rate differences relates to the amount of realized foreign exchange rate differences on foreign currency accounts and from the settlement of foreign receivables and payables.

5.11. Administrative Expenses

	2004	2003	2002
Administrative expenses – audit	150	135	64

5.12. Income Tax

Main Income Tax Components:

	2004	2003	2002
Tax payable – current year	847	8,436	6,215
Total income tax	847	8,436	6,215

Current Income Tax – Analysis:

	31 December 2004
Profit/(loss) before tax	16,940
Items to add	0
Deductible items	0
Tax base	16,940
Tax on tax base	847
Total tax	847

5.13. Related Party Transactions

_____ Related parties include Česká spořitelna, a. s. and the Company.

	2004	2003	2002
Payables from management fees – ISČS, a. s.	1,545	2,184	968
Custody fee for December 2004 not yet billed – ČS, a. s.	135	157	87
Other payables to related parties	227	120	2,577
Total	1,907	2,461	3,632

_____ The costs charged to the Fund by Česká spořitelna, a. s. in 2004 totaled CZK 2,910 thousand (2003: CZK 2,980 thousand, 2002: CZK 1,234 thousand), of which the greatest portion is represented by the custody fee of CZK 1,727 thousand (2003: CZK 1,859 thousand, 2002: CZK 868 thousand). The annual management fee charged by the Company amounted to CZK 20,435 thousand (2003: CZK 23,457 thousand, 2002: CZK 8,780 thousand).

_____ Other payables to related parties in 2002 include the amount of CZK 2,101 thousand related to a derivative transaction and due to Česká spořitelna, a. s.

5.14. Liquidity

_____ The following table shows residual maturity of assets broken down by major types.

_____ Given that all securities are traded on public markets, sales can be effected within three months.

	Less than 3 months	3 months– –1 year	1–5 years	Over 5 years	Not specified	Total
Receivables from banks	118,506	–	–	–	–	118,506
Debt securities	–	56,651	667,240	323,837	–	1,047,728
Participation certificates	–	–	–	–	61,777	61,777
Other assets	7,157	–	–	–	3,148	10,305
Total assets	125,663	56,651	667,240	323,837	64,925	1,238,316

5.15. Off-balance Sheet Assets and Liabilities

_____ The item 'Assets provided into custody, administration and safekeeping' relates to foreign and local securities administered by Česká spořitelna, a. s.

5.16. Contingent Assets and Liabilities

_____ The Fund has no assets or liabilities that were not disclosed in the balance sheet or off-balance sheet records as of 31 December 2004.

5.17. Compliance with Section 24 (1) to (5) of Act No. 248/1992 Coll.

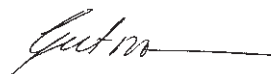
_____ As of 31 December 2004, the Fund did not breach the limit set under Section 24 (1) to (5) of Act no. 248/1992 Coll., as amended.

5.18. Subsequent Events

_____ On 28 January 2005, the Company filed a petition with the Securities Commission regarding the change of the Statute of the Fund resulting from its transformation to a standard fund complying with the requirements of European Community law and in connection with bringing the Statute in line with the Collective Investing Act no. 189/2004 Coll.



Petr Zapletal
Chairman of the Board of Directors
Investiční společnost České spořitelny, a. s.



Guntard Gutmann
Member of the Board of Directors
Investiční společnost České spořitelny, a. s.

Portfolio at 31 December 2004

ISIN	Name of the security	No.	Market value	Total market value	Total market accrued interest income
CZ0001000798	SD 2.9/08	1,000	9,907.00	9,907,000.00	227,972.22
CZ0001000814	SD 3.7/13	9,000	9,789.00	88,101,000.00	1,794,500.00
CZ0001000822	SD 4.6/18	10,000	10,216.00	102,160,000.00	1,686,666.67
Local bonds after 1. 1. 1998 – corporate				200,168,000.00	3,709,138.89
XS0174316256	DEXIA CREDIT LOCAL BARR-SKK/EUR	80	537,400.00	42,992,000.00	787,500.00
Foreign bonds – corporate				42,992,000.00	787,500.00
XS0138976385	BULGARIAN GB 7.25/01-03-07	500	33,353.08	16,676,541.00	922,818.24
XS0142739993	CROATIA GB 6.25/11-02-09	1,250	33,910.59	42,388,239.38	2,106,954.41
XS0131554700	ROMANIAN GB 10.625/06-08	1,750	37,685.21	65,949,108.75	2,902,130.36
HU0000402052	HUNGARIAN GB 6.25/06-07D	85,000	1,183.55	100,601,658.03	3,643,920.93
HU0000402102	HUNGARIAN GB 6.25/06-08C	50,000	1,174.37	58,718,248.20	2,143,482.90
HU0000402045	HUNGARIAN GB 6.75/02-13D	30,000	1,199.40	35,981,950.95	2,214,919.56
HU0000402078	HUNGARIAN GB 7/08-05H	20,000	1,224.62	24,492,353.52	670,294.68
HU0000402086	HUNGARIAN GB 8.5/10-05I	25,000	1,236.44	30,911,038.80	577,254.80
HU0000402268	HUNGARIAN GB 8/12-02-15A	20,000	1,321.32	26,426,486.80	923,607.68
PL0000102869	POLISH GB 5.75/06-08	16,200	7,361.23	119,251,884.33	3,616,797.60
PL0000102836	POLISH GB 5/24-10-02	5,000	7,012.73	35,063,640.15	347,405.46
PL0000101259	POLISH GB 6/05-09	13,100	7,420.81	97,212,609.95	3,549,789.18
PL0000102125	POLISH GB 8.5/05-06	8,000	7,659.61	61,276,878.44	3,237,819.07
PL0000102331	POLISH GB 8.5/11-06	3,000	7,743.92	23,231,756.65	255,343.03
XS0145623624	BULGARIAN GB 8.25/15-01-15	1,000	28,290.61	28,290,606.75	845,676.56
XS0107716416	UKRAINE GB 11/15-03-07	500	11,231.32	5,615,657.83	23,918.81
Foreign bonds – state				772,088,659.53	27,982,133.27
AT0000809165	ESPA BOND EMERGING-MARKETS	18,916	3,265.85	61,776,780.77	0.00
Foreign participation certificates				61,776,780.77	0.00
Total portfolio				833,865,440.30	32,478,772.16

Auditor's Report to the Shareholders of the Fund Investiční společnost České spořitelny, a. s., ČS Korporátní dluhopisový – otevřený podílový fond

Having its registered office at: Praha 1, Staré Město, Na Perštýně 342/1

Identification number: 44796188

Principal activities: open – ended mutual fund

We have audited the accompanying financial statements of the fund Investiční společnost České spořitelny, a. s., ČS Korporátní dluhopisový – otevřený podílový fond for the year ended 31 December 2004. These financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on the financial statements, taken as a whole, based on our audit.

We conducted our audit in accordance with the Act on Auditors and the auditing standards issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and conduct the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, the accounting records and other evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Company in the preparation of the financial statements, as well as evaluation of the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion on the financial statements.

In our opinion, the financial statements give a true and fair view, in all material respects, of the assets, liabilities, equity and financial position of Investiční společnost České spořitelny, a. s., ČS Korporátní dluhopisový – otevřený podílový fond as of 31 December 2004 and of the results of its operations for the year then ended in accordance with the Accounting Act and applicable Czech regulations.

In Prague on 14 March 2005



Audit firm:

Deloitte s. r. o.

Certificate no. 79

Represented by:

Michal Petrman, statutory executive



Statutory auditor:

Michal Petrman

Certificate no. 1105

Balance Sheet as at 31 December 2004

Assets (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Receivables from banks	01	400,679		
of which: a/current accounts	02	400,679		
b/term deposits	03			
c/repo transactions	04			
2 Receivables from non-banking entities	05			
of which: repo transactions	06			
3 Debt securities	07	463,518		
a/issued by the government	08	110,842		
b/issued by other entities	09	352,676		
4 Shares, unit certificates and other participation interests	10			
5 Other assets	11	19,564		
a/derivatives	12	19,564		
b/receivables from securities trading	13			
c/receivables from taxes	14			
d/other assets	15			
6 Deferred expenses and accrued income	16			
Total assets	17	883,761		

Liabilities (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Payables to banks	18			
of which: repo transactions	19			
2 Payables to non-banking entities	20			
of which: repo transactions	21			
3 Other liabilities	22	8,837		
a/derivatives	23	4,017		
b/liabilities from securities trading	24			
c/liabilities from taxes	25	3,501		
d/other liabilities	26	1,319		
4 Deferred income and accrued expenses	27	95		
5 Reserves	28			
of which: for taxes	29			
6 Share premium	30	53		
7 Other funds from profit	31			
8 Capital funds	32	856,361		
9 Gains or losses from revaluation	33	-48,105		
a/from assets and liabilities	34	-65,629		
b/from hedging derivatives	35	17,524		
10 Retained earnings or accumulated losses from previous periods	36			
11 Profit or loss for the accounting period	37	66,520		
Total liabilities	38	883,761		
of which: equity	39	874,829		

Off Balance Sheet Accounts at 12/31/2004

Off balance sheet assets (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Amounts due from repo transactions	01			
2 Amounts due from fixed term transactions	02	595,943		
a/with interest rate instruments	03	125,812		
b/with currency instruments	04	470,131		
3 Receivables written off	05			
4 Assets provided into custody, administration and safekeeping	06	463,518		
of which: securities	07	463,518		
5 Received guarantees and collateral	08			
6 Amounts owed from fixed term transactions	09	595,943		
a/with interest rate instruments	10	125,812		
b/with currency instruments	11	470,131		

Profit and Loss Account for the Year Ended 12/31/2004

Item (in thousands CZK)	Line	Result in accounting period	
		Current	Previous 1 Previous 2
1 Interest income and similar income	01	29,746	
of which: a/interest income from bonds	02	20,923	
b/interest from repo transactions	03		
2 Interest expenses and similar expenses	04	2,977	
3 Income from shares and unit certificates	05		
4 Commission and fee expenses	06	10,742	
a/fees and commissions from securities trading	07	1	
b/administrative fee	08	9,601	
c/custody fee	09	830	
d/other financial expenses	10	310	
5 Profit or loss on financial operations	11	54,094	
of which: a/profit or loss on transactions with securities	12	-1,663	
b/profit or loss on foreign exchange transactions and options	13	-7,139	
c/profit or loss on fixed term transactions and options	14	62,896	
6 Other operating income	15		
7 Other operating expenses	16		
8 Administrative expenses	17	100	
a/audit	18	100	
b/other administrative expenses	19		
9 Release of provisions against receivables and income from receivables written off	20		
10 Depreciation and creation of provisions against receivables	21		
11 Ordinary profit or loss for the accounting period before tax	22	70,021	
12 Extraordinary income	23		
13 Extraordinary expenses	24		
14 Extraordinary profit or loss for the accounting period before tax	25		
15 Income tax	26	3,501	
16 Profit or loss for the accounting period after tax	27	66,520	

Statement of Changes in Equity for the Year Ended 12/31/2004

Assets (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Share premium	01			
opening balance	02			
issued unit certificates	03	56		
repurchase of unit certificates	04	-3		
other changes	05			
closing balance	06	53		
2 Retained earnings	07			
opening balance	08			
transfers to funds	09			
other changes	10			
closing balance	11			
3 Capital funds	12			
opening balance	13			
issued unit certificates	14	856,617		
repurchase of unit certificates	15	-256		
transfers to funds	16			
other changes	17			
closing balance	18	856,361		
4 Gains or losses from revaluation	19			
opening balance	20			
foreign exchange rate differences and gains or losses from revaluation	21	-48,105		
closing balance	22	-48,105		
5 Retained earnings or accumulated losses from previous periods	23			
opening balance	24			
other changes	25			
closing balance	26			
6 Profit (loss) for the current period after taxes	27			
opening balance	28			
profit (loss)	29	66,520		
transfers to funds, dividends	30			
closing balance	31	66,520		
7 Total	32	874,829		

Notes to the Financial Statements for the Period Ended 31 December 2004

1. Background Information and Principle Operations

Incorporation and Description of the Fund

Investiční společnost České spořitelny, a.s., ČS korporátní dluhopisový – otevřený podílový fond (hereinafter the “Fund”) is an accounting unit without legal entity status, incorporated by Investiční společnost České spořitelny, a.s. (hereinafter the “Company”) under the Investment Companies and Funds Act no. 248/1992 Coll.

Based on the application of the Company dated 22 December 2003, the Securities Commission approved the establishment of a fund under the name Investiční společnost České spořitelny, a.s. – ČS korporátní dluhopisový otevřený podílový fond. The Fund began its operations on 1 April 2004.

Pursuant to a concluded contract, Česká spořitelna, a.s. acts as the depository of the Fund.

As of 1 May 2004, the Collective Investing Act no. 189/2004 (hereinafter the “Act”) took legal effect. Section 140 of this Act invalidates the Investment Companies and Funds Act no. 248/1992 Coll. Pursuant to the provisions of Section 136 (4) and (8) and Section 84 (14) of the Act, the current Statute of the Fund remains in force during the transition period until the new Statute becomes effective (no later than 30 April 2005); this also applies to the references to the provisions of the Act no. 248/1992 Coll. made in the Statute and the related legal regulations.

The Fund is managed by the Company. In accordance with the Act, the Company is responsible for the management of the assets of the Fund, which involves the administration and care of the assets.

Registered Office

Investiční společnost České spořitelny, a.s.
ČS korporátní dluhopisový – otevřený podílový fond
Praha 1, Staré Město, Na Perštýně 342/1

Principal Operations

The Company collects finance of individuals and corporate entities for the Fund by issuing participation certificates with the purpose of their collective investment on local and foreign money and capital markets. No restrictions are placed on the number of participation certificates for issue and their selling period.

The Fund conducts its operations solely on the territory of the Czech Republic.

Investment Policy

The objective of the Fund is to achieve long-term appreciation of the Fund's assets primarily by making investments in bonds of corporate, municipality, banking and state issuers from developing countries in Europe, the Middle East and Africa traded on the public market of the member states of the Organization for Economic Cooperation and De-

velopment. The goal in managing the Fund's portfolio is to exceed, on a long-term basis, the income on the Czech money market while hedging against currency risks.

In accordance with the Fund's strategy, finances collected by the Fund are invested in bonds, money market instruments and other debt securities permitted by the Act.

The Fund's portfolio is also expanded by purchasing participation certificates of open-ended mutual funds and securities of foreign entities engaged in collective investing if their objectives and investment policy are not in conflict with the objectives of the Fund.

In making investments for the Fund's portfolio, preference is given to purchasing debt securities issued by issuers with at least a 'B' credit rating assigned by Standard & Poor's or 'B3' credit rating assigned by Moody's.

The Fund uses financial derivatives to hedge against foreign currency and interest rate exposures.

2. Basis of Preparation of the Financial Statements

The financial statements have been prepared on the basis of underlying accounting records maintained in accordance with the Accounting Act 563/1991 Coll., and applicable regulations, decrees and internal standards in compliance with and in the scope defined in the Czech Finance Ministry Regulation no. 501/2001 of 6 November 2002, as subsequently amended, which sets out the overall framework for the presentation of the financial statements, and guidelines for the structure and minimum requirements for the content of the financial statements of banks and certain financial institutions, and Czech Accounting Standards, which establish the accounting principles and policies for financial institutions.

The information disclosed for the two immediately preceding accounting periods is reported in line with the requirements of the year to which the financial statements relate.

The Fund is obliged to comply with the regulatory requirements of the Act.

The accounting records are maintained in compliance with general accounting principles, specifically the accruals principle, the prudence concept and the going concern assumption.

The financial statements contain the balance sheet, profit and loss account, off balance sheet records, statement of changes in equity, and notes to the financial statements.

The preparation of the financial statements requires that the Fund make estimates which have an impact on the reported amounts of assets and liabilities as well as expenses and income in the relevant accounting period. These estimates are based on information available as of the date of the financial statements and may differ from the actual results.

_____ These financial statements are unconsolidated.

_____ All figures are stated in thousands of Czech crowns (CZK), unless indicated otherwise.

_____ The Fund started its operations on 1 April 2004. All figures are therefore reported for the period from 1 April 2004 to 31 December 2004.

3. Accounting Methods Applied

Transaction Date

_____ Purchases and sales of securities are recognized upon conclusion of the related contract (the trade date) provided that the period between the trade date and the fulfillment of the commitment arising from the contract does not exceed a period typical for the relevant type of transaction.

_____ The transaction date for derivative contracts is:

- a) the date upon which the related contract was entered into;
- b) the date when the fair value of the derivative changed; and
- c) the date when performance was effected based on the relevant contract.

_____ The transaction date can also be the date when a receivable or payable arises, changes or ceases to exist, and when other matters to be included in the accounting records occur.

Securities

_____ In accordance with the Fund's strategy, all securities are classified as 'held for trading'. During the accounting period, securities are re-measured to fair value on a daily basis pursuant to Finance Ministry Regulation no. 207/2004 Coll., on determination of fair value of the assets and liabilities of a collective investment fund and the determination of current value of shares of participation certificates of a collective investment fund (henceforth the "Regulation"). The differences between the acquisition cost of securities and the cost determined under the above Regulation are recorded to the balance sheet account 'Gains or losses from revaluation.' Pursuant to the Regulation, securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the rules set out in the Regulation. If the value is not determinable on this basis, the Fund uses a value determined by the Company with due care and diligence, i.e. the values are determined using valuation models based on discounted future cash flows according to the rate of return calculated with reference to the Reuters and Condor+ systems.

_____ Securities are initially measured at cost. The acquisition cost includes direct transaction costs related to the acquisition of securities.

_____ The difference between the cost and nominal value of the purchased debt securities is amortized, using the straight line method, through the income statement from the moment of the securities' acquisition through their maturity.

_____ Upon the sale of securities, the difference between the selling price and the cost of the sold securities determined using the weighted arithmetic average is recorded to income and expense accounts. Realized capital gains and losses are charged through the profit and loss account component 'Profit or loss from financial transactions'.

_____ The accrued interest income on purchased debt securities in the amount set out in the issuing conditions is recorded to a special sub-ledger account of assets. The interest income accrued over the holding period is included in the value of the debt securities and is posted to a special sub-ledger asset account with a corresponding entry to interest income.

Other Receivables

_____ The Fund records receivables arising from its transactions with securities, receivables from positive fair values of derivatives and other operating receivables.

Loans and Borrowings

_____ The Fund may accept loans under the conditions defined in the Act to cover a temporary lack of finances.

Financial Derivatives and Hedging Transactions

_____ In the normal course of business, the Fund enters into hedging contracts with financial derivatives to hedge against interest rate and foreign currency exposures associated with its transactions on financial markets.

_____ The Fund designates certain derivatives as hedges provided that the following criteria are met:

- > the Fund has developed a risk management strategy;
- > at the inception of the hedge, the hedging relationship is formally documented, the documentation identifies the hedged item and the hedging instrument, defines the risk that is being hedged and the approach to establishing whether the hedge is effective; and
- > the hedge is effective, that is, changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80 percent to 125 percent.

_____ Nominal values of derivative financial instruments are initially recognized in the off-balance sheet accounts. Changes in the fair value of derivatives that are designated and qualify as hedges (see above) are recorded in the balance sheet account 'Gains or losses from revaluation', which is included in equity. All financial derivatives are recorded as assets when fair value is positive and as liabilities when fair value is negative. Fair values are based on the valuation models.

_____ The balances recognized in the balance sheet are transferred to the profit and loss account and classified as income and expenses in the period in which the hedged asset or liability impacts the profit and loss account.

_____ Certain derivatives are embedded in compound financial instruments, which comprise the host instrument and the derivative. Pursuant to the applicable regulations, the Fund recognizes changes in assets and liabilities arising from the movements in rates or prices of securities or changes in exchange rates through 'Gains or losses from revaluation'. Given that the assets of the Fund are valued at fair value, embedded derivatives were not accounted for separately in 2004.

Income Tax

_____ Under effective tax regulations, the corporate income tax rate applicable to mutual funds is 5 percent.

_____ The accounting treatment of gains and losses from revaluation was changed starting from 1 January 2005. Securities are revalued through income and expense accounts. The balances of gains or losses from revaluation as of 31 December 2004 are transferred to accumulated profits or losses brought forward. Therefore, the deferred tax from gains or losses from revaluation was not computed as of 31 December 2004.

Foreign Currency Translations

_____ Foreign currencies are translated using the exchange rate promulgated by the Czech National Bank as of the relevant date. As of the balance sheet date, assets and liabilities denominated in foreign currencies are translated on the same basis.

_____ Foreign exchange rate gains and losses from the daily translation of assets and liabilities in foreign currencies are posted to equity.

Shareholders' Equity

_____ The selling price of participation certificates is calculated as a proportion of the Fund's equity and the relevant number of participation certificates. Participation certificates are sold to investors using the selling price determined on a daily basis.

Share Premium

_____ Share premium is reported separately.

Interest Income and Expense

_____ Accrued interest relating to assets is included in the total balance of these assets. Interest income and expense also include gains or losses from hedging interest rate derivatives.

Adjustments Related to Prior Periods

_____ Adjustments to the previous years' income and expenses are recorded as income or expenses in the current year's profit and loss account, unless they relate to significant errors.

4. Risk Management

Credit Risk

_____ In accordance with the Statute and the investment strategy, the Company establishes rules and policies for selecting investment instruments such that the overall credit risk profile of allocated investments is consistent with the characteristics of the Fund. New types of instruments are approved on a case by case basis by the risk management function together with the specification of limits for positions pertaining to these instruments. Specific emphasis is placed on an appropriate rating structure and diversification of portfolios (especially in relation to credit portfolios and their interest components).

Market Risk

_____ The Fund uses a wide range of tools eliminating risk exposures attached to its portfolios. Major attention is paid to market risks. Apart from statutory restrictions, the Fund is subject to a set of internal limits having a direct impact on the forex exposure, interest rate exposure (the modified duration range of the Fund), share allocation on individual markets according to their volatility, portfolio rating structure (see above), and other characteristics of the Fund. The relevant limits are appropriately applied to correspond with the type of Fund.

_____ Whenever the Fund purchases new types of instruments, these instruments are first analyzed to assess the potential credit risk (see above), as well as the market risk that the instruments might bring to or help eliminate from the portfolio. Subsequently, their appropriateness and, if appropriate, the acceptable proportion of these instruments in the portfolio is evaluated.

_____ The Fund monitors Value at Risk globally and also broken down to Foreign Exchange VaR, Interest Rate VaR and Equity VaR. Based on the above values, the Fund identifies critical risk segments. This identification influences the re-investment process. The limits set up the maximum acceptable VaR for the Fund.

_____ Relative values of VaR in percentage for individual types of risks:

	31 December 2004	Average in 2004
Global VaR	4.47%	4.70%
Foreign Exchange VaR	4.42%	4.65%
Interest Rate VaR	1.04%	1.42%

_____ Relative risk exposure is calculated as a proportion of VaR (risk exposure in absolute terms) and the portfolio's market value. Relative VaR as of 31 December is determined with a 95% confidence level for 30 days. The 95% confidence level also applies to the average daily relative VaR determined for 30 days.

_____ Adherence to all the above limits and their effectiveness is monitored and assessed on an ongoing basis. The limits are reviewed, if necessary.

_____ The portfolio's risk of unfavorable development of foreign exchange rates, interest rates, and other market factors is hedged, to an appropriate extent, by financial derivatives. Financial derivatives are purchased or sold on the OTC market as this market enables the trading of contracts whose parameters and nature appropriately satisfy the requirements of a hedge. Portfolios primarily include currency swaps, currency forwards and interest rate swaps. Derivative positions are therefore opened exclusively for the purpose of hedging, as described above.

Liquidity Risk

_____ Liquidity risk is a risk that the Fund will not have enough disposable resources to meet its obligations arising from financial contracts.

Liquidity is monitored and managed based on expected cash flows, with appropriate adjustments made to the structure of securities and term placements portfolios.

_____ Pursuant to the Act, the Company is obliged to purchase a participation certificate without undue delay but not later than one month from the date when the repurchase right is claimed. Given that the Fund holds securities traded at foreign stock exchanges which can be realized within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

5. Additional Information on the Financial Statements

5.1. Receivables from Banks

Receivables from banks	2004	2003	2002
Current accounts	400,679	-	-
Total	400,679	-	-

_____ Current account balances are repayable on demand.

5.2. Securities

_____ Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to these Notes. All securities held by the Fund are publicly tradable at the Prague Stock Exchange or stock exchanges abroad.

Debt securities	2004	2003	2002
Acquisition cost	522,778	-	-
Market revaluation	-64,755	-	-
Discount charged on an accrual basis, premium	-6,317	-	-
Accrued interest income	11,812	-	-
Total	463,518	-	-

_____ Of the aggregate volume of debt securities, debt securities maturing within one year, debt securities maturing within more than one year with a variable coupon and debt securities maturing within more than one year with a fixed coupon account for 3.06%, 27.95% and 68.99%, respectively.

5.3. Other Assets

Other assets	2004	2003	2002
Positive values of derivatives	19,564	-	-
Total	19,564	-	-

5.4. Equity

_____ In accordance with the accounting policies, the Fund has no share capital. The nominal value of a participation certificate is CZK 1. The total nominal value of all participation certificates is posted to 'Capital funds'.

_____ Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded independently. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase.

_____ The selling price of a participation certificate is determined as a proportion of the Fund's equity and the number of participation certificates issued.

_____ The carrying value of a participation certificate as of 31 December 2004 was CZK 1.0216.

Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Total capital funds
Participation certificates sold	856,617,657	856,617	856,617
Participation certificates purchased	256,495	-256	-256
Balance at 31 Dec 2004	856,361,162	856,361	856,361

Gains and Losses from Revaluation

	From assets and liabilities	From hedging derivatives	Total gains and losses from revaluation
Balance at 31 Dec 2004	-65,629	17,524	-48,105
Of which: debt securities	-64,755	-	-
other assets and liabilities	- 874	-	-

5.5. Other Liabilities

Other liabilities	2004	2003	2002
Negative values of financial derivatives	4,017	-	-
Payables from management fees	1,094	-	-
Payables from shareholders' placements	160	-	-
Tax liability	3,501	-	-
Other payables	65	-	-
Total	8,837	-	-

5.6. Accrued Expenses and Deferred Income

_____ Accrued expenses relate to the unbilled custody fee of CZK 95 thousand related to December 2004.

5.7. Financial Derivatives Posted as Hedging Derivatives

	Nominal value		Nominal value		Nominal value	
	2004 assets	2004 liabilities	2003 assets	2003 liabilities	2002 assets	2002 liabilities
Currency instruments						
Currency swaps	470,131	470,131	-	-	-	-
Currency forwards	-	-	-	-	-	-
Total currency instruments	470,131	470,131	-	-	-	-
Interest rate instruments						
Interest rate swaps	125,812	125,812	-	-	-	-
Total interest rate instruments	125,812	125,812	-	-	-	-
Total	595,943	595,943	-	-	-	-

	2004 positive	Fair value 2004 negative	2003 positive	Fair value 2003 negative	2002 positive	Fair value 2002 negative
Currency instruments						
Currency swaps	12,018	-	-	-	-	-
Currency forwards	-	-	-	-	-	-
Total currency instruments	12,018	-	-	-	-	-
Interest rate instruments						
Interest rate swaps	7,546	4,017	-	-	-	-
Total interest rate instruments	7,546	4,017	-	-	-	-
Total	19,564	4,017	-	-	-	-

_____ Currency derivatives are due within one year. Interest rate derivatives are concluded for a period exceeding five years.

5.8. Interest Income and Expense

Income	2004	2003	2002
Interest on deposits	5,308	-	-
Interest on debt securities	20,923	-	-
Interest on derivatives	3,515	-	-
Total	29,746	-	-
Expense			
Interest on overdraft account	-	-	-
Interest on derivatives	2,977	-	-
Total	2,977	-	-

5.9. Fees and Commissions

	2004	2003	2002
Management fees	9,601	-	-
Custody fees	830	-	-
Commissions and fees from securities trading	1	-	-
Amounts paid to the Securities Center	55	-	-
Administration of securities	228	-	-
Other fees and commissions	27	-	-
Total	10,742	-	-

_____ In compliance with the Statute of the Fund, the management fee paid to the Company amounts to 1.50% of the average annual equity value.

_____ Pursuant to the custody service contract entered into with Česká spořitelna, a. s., the Fund paid a fee calculated at 0.12% of its average annual equity value until 30 April 2004. Starting from 1 May 2004, the fee equals 0.11% of the Fund's average annual equity value increased by the standard VAT rate.

5.10. Profit or Loss from Financial Operations

	2004	2003	2002
Profit (loss) from securities held for trading	-1,663	-	-
Profit (loss) from FX differences	-7,139	-	-
Profit (loss) from derivatives	62,896	-	-
Total	54,094	-	-

_____ Profit or loss from foreign exchange rate differences relates to the amount of realized foreign exchange rate differences on foreign currency accounts and from the settlement of foreign receivables and payables.

_____ Profit or loss from derivatives relates to the profit or loss arising from the settlement of fixed term transactions.

5.11. Administrative Expenses

Administrative expenses	2004	2003	2002
Audit	100	-	-
Total	100	-	-

5.12. Income Tax**Main Income Tax Components:**

	2004	2003	2002
Tax payable – current year	3,501	-	-
Total income tax	3,501	-	-

Current Income Tax – Analysis:

	31 December 2004
Profit/(loss) before tax	70,021
Items to add	-
Deductible items	-
Tax base	70,021
Tax on tax base	3,501
Dividends abroad	-
Tax on dividends abroad	-
Additional tax payments	-
Total tax	3,501

5.13. Related Party Transactions

_____ Related parties include Česká spořitelna, a. s. and the Company.

	2004	2003	2002
Payables from management fees – ISČS, a. s.	1,094	-	-
Custody fee for December 2004 not yet billed – ČS, a. s.	95	-	-
Other payables to related parties	36	-	-
Total	1,225	-	-

_____ The costs charged to the Fund by Česká spořitelna, a. s. in 2004 totaled CZK 1,086 thousand, of which the greatest portion was represented by the custody fee of CZK 830 thousand. The annual management fee charged by the Company amounted to CZK 9,601 thousand.

5.14. Liquidity

_____ The following table shows residual maturity of assets broken down by major types. Given that all securities are traded on public markets, sales can be effected within three months.

	Less than 3 months	3 months– –1 year	1–5 years	Over 5 years	Not specified	Total
Receivables from banks	400,679	–	–	–	–	400,679
Debt securities	–	14,196	314,134	135,188	–	463,518
Other assets	–	–	–	–	19,564	19,564
Total assets	400,679	14,196	314,134	135,188	19,564	883,761

5.15. Off-Balance Sheet Assets and Liabilities

_____ The item 'Assets provided into custody, administration and safekeeping' relates to foreign securities administered by Česká spořitelna, a. s.

5.16. Contingent Assets and Liabilities

_____ The Fund has no assets or liabilities that were not disclosed in the balance sheet or off-balance sheet records as of 31 December 2004.

5.17. Compliance with Section 24 (1) to (5) of Act No. 248/1992 Coll.

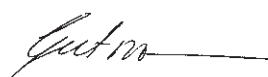
_____ As of 31 December 2004, the Fund did not breach the limit set under Section 24 (1) to (5) of Act no. 248/1992 Coll., as amended.

5.18. Subsequent Events

_____ On 28 January 2005, the Company filed a petition with the Securities Commission regarding the change of the Statute of the Fund resulting from its transformation to a standard fund complying with the requirements of European Community law and in connection with bringing the Statute in line with the Collective Investing Act no. 189/2004 Coll.



Petr Zapletal
Chairman of the Board of Directors
Investiční společnost České spořitelny, a. s.



Guntard Gutmann
Member of the Board of Directors
Investiční společnost České spořitelny, a. s.

Portfolio at 31 December 2004

ISIN	Name of the security	No.	Market value	Total market value	Total market accrued interest income
XS0145137286	AGROKOR DD 11/03-04-07	450	33,435.34	15,045,901.88	1,123,782.91
XS0103421128	CEZ FINANCE 7.25/06 (EUR)	300	32,769.62	9,830,884.90	130,707.37
XS0159049765	CFR MARFA SA 10.5/10-12-07	300	34,601.20	10,380,360.78	55,212.60
XS0136561429	SNP PETROM 11.625/02-10-06	400	34,712.43	13,884,972.12	349,304.18
XS0111459656	ZELEZNICE SLOV.REP.8/30-05-07	500	33,989.44	16,994,717.46	717,805.48
XS0167967354	ALROSA FINANCE 8.125/06-05-03	300	23,050.17	6,915,052.24	81,772.03
XS0155792186	BANK KAZAKHSTAN 7.125/10-10-07	400	24,040.90	9,616,359.56	141,645.00
XS0170388424	BANK ZENIT (WESTLB)9.25/12-06-06	450	22,694.10	10,212,345.44	46,547.16
XS0174040591	CITY OF KIEV (DRESD.BK) 8.75/08	300	23,529.75	7,058,924.05	231,570.94
XS0176677184	EVRAZ SECURITIES 8.875/25-09-06	60	227,915.01	13,674,900.33	314,274.84
XS0164067836	GAZPROM (MORGAN ST) 9.625/03-13	30	265,971.29	7,979,138.69	213,469.27
XS0179102560	GAZPROMBK(GAZINV.) 7.25/30-10-08	7	2,346,155.60	16,423,089.17	189,170.62
XS0167149094	KAZKOMMERTS INTL 8.5/16-04-13	700	23,591.90	16,514,329.42	273,536.37
XS0132391938	KAZTRANSOIL 8.5/06-07-06	300	23,858.09	7,157,426.22	275,648.62
XS0157813279	KYIVSTAR (DRESDNER BK) 12.75/05	300	23,904.83	7,171,449.08	92,674.97
XS0159504637	MDM BANK 10.75/16-12-05	300	23,013.14	6,903,941.31	28,049.44
XS0177503058	MMK FINANCE SA 8/21-10-08	600	22,623.76	13,574,257.83	205,758.00
XS0162126287	MOBILE TELESYSTEMS 9.75/30-01-08	600	23,706.90	14,224,140.00	545,146.88
XS0162680382	PETROKAZACHSTAN FIN 9.625/02-10	600	24,958.31	14,974,986.73	495,105.18
XS0139143035	ROSNEFT(ABN AMRO) 12.75/20-11-06	400	25,663.84	10,265,535.00	126,735.00
XS0178949946	SBERBANK VAR/24-10-06	65	224,209.13	14,573,593.13	104,163.43
XS0186918255	SEVERSTAL (CITIGROUP GLOB) 8.625	300	45,151.36	13,545,406.98	405,086.06
XS0166639566	SISTEMA FINANCE 10.25/14-04-08	500	23,575.62	11,787,808.73	241,976.88
USN31209AA26	TPSA FINANCE 7.75/08	300	25,142.33	7,542,699.13	28,888.13
XS0168848801	TURANALEM FINANCE 7.875/02-06-10	700	22,623.16	15,836,211.44	95,889.94
XS0148404279	TYUMEN OIL 11/06-11-07	550	25,430.12	13,986,567.79	202,962.38
XS0170487242	URAL SIBERIAN BK 8.875/06-07-06	300	22,389.38	6,716,813.36	287,809.59
XS0147683949	VESTEL ELECTRONICS 11.5/05-14-07	300	24,857.80	7,457,340.87	98,592.37
XS0182007830	VTB CAPITAL 6.875/11-12-08	500	23,517.33	11,758,667.13	40,575.39
XS0168652732	WIM-BILL-DANN (UBS) 8.5/21-05-08	600	22,334.56	13,400,736.74	123,566.62
Foreign bonds – corporate				345,408,557.51	7,267,427.65
XS0145624432	BULGARIAN GB 7.5/15-01-13	650	37,944.16	24,663,702.38	1,424,301.19
XS0142739993	CROATIA GB 6.25/11-02-09	900	33,910.59	30,519,532.35	1,517,007.18
XS0147466501	ROMANIAN GB 8.5/08-05-12	600	39,086.60	23,451,957.00	1,008,850.56
XS0187564801	UKRAINE GB 6.875/04-03-11	1,200	23,051.83	27,662,194.98	594,536.26
Foreign bonds – state				106,297,386.71	4,544,695.19
Total portfolio				451,705,944.22	11,812,122.84

Auditor's Report to the Shareholders of the Fund Investiční společnost České spořitelny, a. s., Bondinvest – otevřený podílový fond

Having its registered office at: Praha 1, Staré Město, Na Perštýně 342/1
Identification number: 44796188
Principal activities: open – ended mutual fund

We have audited the accompanying financial statements of the fund Investiční společnost České spořitelny, a. s., Bondinvest – otevřený podílový fond for the year ended 31 December 2004. These financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on the financial statements, taken as a whole, based on our audit.

We conducted our audit in accordance with the Act on Auditors and the auditing standards issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and conduct the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, the accounting records and other evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Company in the preparation of the financial statements, as well as evaluation of the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion on the financial statements.

In our opinion, the financial statements give a true and fair view, in all material respects, of the assets, liabilities, equity and financial position of Investiční společnost České spořitelny, a. s., Bondinvest – otevřený podílový fond as of 31 December 2004 and of the results of its operations for the year then ended in accordance with the Accounting Act and applicable Czech regulations.

In Prague on 14 March 2005



Audit firm:
Deloitte s. r. o.
Certificate no. 79
Represented by:
Michal Petrman, statutory executive



Statutory auditor:
Michal Petrman
Certificate no. 1105

Balance sheet as at 31 December 2004

Assets (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Receivables from banks	01	76,299	91,258	73,196
of which: a/current accounts	02	76,299	64,442	30,893
b/term deposits	03		26,816	42,303
c/repo transactions	04			
2 Receivables from non-banking entities	05			
of which: repo transactions	06			
3 Debt securities	07	335,317	337,150	333,626
a/issued by the government	08	265,616	259,083	218,359
b/issued by other entities	09	69,701	78,067	115,267
4 Shares, unit certificates and other participation interests	10	27,861		
5 Other assets	11	4,602	3,767	3,613
a/derivatives	12	757		
b/receivables from securities trading	13			
c/receivables from taxes	14	712	191	
d/other assets	15	3,133	3,576	3,613
6 Deferred expenses and accrued income	16		62	
Total assets	17	444,079	432,237	410,435

Liabilities (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Payables to banks	18			
of which: repo transactions	19			
2 Payables to non-banking entities	20			
of which: repo transactions	21			
3 Other liabilities	22	5,388	5,221	24,304
a/derivatives	23		456	1,644
b/liabilities from securities trading	24			18,612
c/liabilities from taxes	25			142
d/other liabilities	26	5,388	4,765	3,906
4 Deferred income and accrued expenses	27	48	25	53
5 Reserves	28			
of which: for taxes	29			
6 Share premium	30	10,035	9,549	6,237
7 Other funds from profit	31			
8 Capital funds	32	404,885	401,580	356,105
9 Gains or losses from revaluation	33	11,264	919	6,926
a/from assets and liabilities	34	10,507	1,353	8,570
b/from hedging derivatives	35	757	-434	-1,644
10 Retained earnings or accumulated losses from previous periods	36	542	548	372
11 Profit or loss for the accounting period	37	11,917	14,395	16,438
Total liabilities	38	444,079	432,237	410,435
of which: equity	39	438,643	426,991	386,078

Off Balance Sheet Accounts at 12/31/2004

Off balance sheet assets (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Amounts due from repo transactions	01			
2 Amounts due from fixed term transactions	02	55,768	161,954	85,422
a/with interest rate instruments	03		10,000	
b/with currency instruments	04	55,768	151,954	85,422
3 Receivables written off	05			
4 Assets provided into custody, administration and safekeeping	06	363,178	175,545	138,987
of which: securities	07	363,178	175,545	138,987
5 Received guarantees and collateral	08			
6 Amounts owed from fixed term transactions	09	55,768	161,954	85,422
a/with interest rate instruments	10			
b/with currency instruments	11	55,768	161,954	85,422

Profit and Loss Account for the Year Ended 12/31/2004

Item (in thousands CZK)	Line	Result in accounting period		
		Current	Previous 1	Previous 2
1 Interest income and similar income	01	17,255	17,384	17,614
of which: a/interest income from bonds	02	15,016	13,910	14,686
b/interest from repo transactions	03			
2 Interest expenses and similar expenses	04	245	37	14
3 Income from shares and unit certificates	05	18		
4 Commission and fee expenses	06	4,989	5,111	4,943
a/fees and commissions from securities trading	07	28	7	69
b/administrative fee	08	4,205	4,481	4,056
c/custody fee	09	535	471	664
d/other financial expenses	10	221	152	154
5 Profit or loss on financial operations	11	1,955	5,617	5,893
of which: a/profit or loss on transactions with securities	12	929	6,293	-2,815
b/profit or loss on foreign exchange transactions and options	13	968	2,402	2,254
c/profit or loss on fixed term transactions and options	14	58	-3,078	6,454
6 Other operating income	15			257
7 Other operating expenses	16			
8 Administrative expenses	17	1,448	1,437	62
a/audit	18	133	129	62
b/other administrative expenses	19	1,315	1,308	
9 Release of provisions against receivables and income from receivables written off	20			
10 Depreciation and creation of provisions against receivables	21			
11 Ordinary profit or loss for the accounting period before tax	22	12,546	16,416	18,745
12 Extraordinary income	23			
13 Extraordinary expenses	24			
14 Extraordinary profit or loss for the accounting period before tax	25			
15 Income tax	26	629	2,021	2,307
16 Profit or loss for the accounting period after tax	27	11,917	14,395	16,438

Statement of Changes in Equity for the Year Ended 12/31/2004

Assets (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Share premium	01			
opening balance	02	9,549	6,237	1,966
issued unit certificates	03	2,982	5,467	6,030
repurchase of unit certificates	04	-2,496	-2,155	-1,759
other changes	05			
closing balance	06	10,035	9,549	6,237
2 Retained earnings	07			
opening balance	08			
transfers to funds	09			
other changes	10			
closing balance	11			
3 Capital funds	12			
opening balance	13	401,580	356,105	264,165
issued unit certificates	14	50,585	76,375	120,380
repurchase of unit certificates	15	-47,280	-30,900	-28,440
transfers to funds	16			
other changes	17			
closing balance	18	404,885	401,580	356,105
4 Gains or losses from revaluation	19			
opening balance	20	919	6,926	2,199
foreign exchange rate differences and gains or losses from revaluation	21	10,345	-6,007	4,727
closing balance	22	11,264	919	6,926
5 Retained earnings or accumulated losses from previous periods	23			
opening balance	24	548	372	379
other changes	25	-6	176	-7
closing balance	26	542	548	372
6 Profit (loss) for the current period after taxes	27			
opening balance	28	14,395	16,438	17,360
profit (loss)	29	11,917	14,395	16,438
transfers to funds, dividends	30	-14,395	-16,438	-17,360
closing balance	31	11,917	14,395	16,438
7 Total	32	438,643	426,991	386,078

Notes to the Financial Statements for the Year Ended 31 December 2004

1. Background Information and Principle Operations

Incorporation and Description of the Fund

Investiční společnost České spořitelny, a. s., Bondinvest - otevřený podílový fond (hereinafter the "Fund") is an accounting unit without legal entity status, incorporated by Investiční společnost České spořitelny, a. s. (hereinafter the "Company") as an open-ended mutual fund under the Investment Companies and Funds Act no. 248/1992 Coll., as subsequently amended, based upon the Resolution of the Ministry of Finance of the Czech Republic dated 27 October 1994. The Resolution took effect on 14 December 1994.

Pursuant to a concluded contract, Česká spořitelna, a. s. acts as the depository of the Fund.

As of 1 May 2004, the Collective Investing Act no. 189/2004 (hereinafter the "Act") took legal effect. Section 140 of this Act invalidates the Investment Companies and Funds Act no. 248/1992 Coll. Pursuant to the provisions of Section 136 (4) and (8) and Section 84 (14) of the Act, the current Statute of the Fund remains in force during the transition period until the new Statute becomes effective (no later than 30 April 2005); this also applies to the references to the provisions of the Act no. 248/1992 Coll. made in the Statute and the related legal regulations.

The Fund is managed by the Company. In accordance with the Act, the Company is responsible for the management of the assets of the Fund, which involves the administration and care of the assets.

Registered Office

Investiční společnost České spořitelny, a. s.
Bondinvest - otevřený podílový fond
Praha 1, Staré Město, Na Perštýně 342/1

Principal Operations

The Company collects finance of individuals and corporate entities for the Fund by issuing participation certificates with the purpose of their collective investment on local and foreign money and capital markets. Participation units are issued in a certificate form. No restrictions are placed on the number of participation certificates for issue and their selling period.

The Fund conducts its operations solely on the territory of the Czech Republic.

Investment Policy

The objective of the Fund is to increase the value of investments for its investors provided that the overall risk profile corresponds to that of the category of bond funds.

The Fund is managed such that the likelihood of losses is minimized for a period of two years.

The goal of the Fund's portfolio is to exceed, on a long-term basis, the yield on medium-term Czech state bonds. No guarantees are provided as to the fulfillment of this objective.

Finances collected by the Fund are invested in bonds, money market instruments and other debt securities permitted by the Act.

The average period to maturity is actively managed to reflect the anticipated future interest rate development in a manner ensuring that the objectives of the Fund are met.

The Fund uses financial derivatives to hedge against interest rate and foreign currency exposures.

2. Basis of Preparation of the Financial Statements

The financial statements have been prepared on the basis of underlying accounting records maintained in accordance with the Accounting Act 563/1991 Coll., and applicable regulations, decrees and internal standards in compliance with and in the scope defined in the Czech Finance Ministry Regulation no. 501/2001 of 6 November 2002, as subsequently amended, which sets out the overall framework for the presentation of the financial statements, and guidelines for the structure and minimum requirements for the content of the financial statements of banks and certain financial institutions, and Czech Accounting Standards, which establish the accounting principles and policies for financial institutions.

The information disclosed for the two immediately preceding accounting periods is reported in line with the requirements of the year to which the financial statements relate.

The Fund is obliged to comply with the regulatory requirements of the Act.

The financial statements are prepared in accordance with the accruals principle of accounting whereby transactions and other events are recognized when they occur and are reported in the financial statements of the periods to which they relate.

The financial statements contain the balance sheet, profit and loss account, off balance sheet records, statement of changes in equity, and notes to the financial statements.

The preparation of the financial statements requires that the Fund make estimates which have an impact on the reported amounts of assets and liabilities as well as expenses and income in the relevant accounting period. These estimates are based on information available as of the date of the financial statements and may differ from the actual results.

These financial statements are unconsolidated.

All figures are stated in thousands of Czech crowns (CZK), unless indicated otherwise.

3. Accounting Methods Applied

Transaction Date

_____ Purchases and sales of securities are recognized upon conclusion of the related contract (the trade date) provided that the period between the trade date and the fulfillment of the commitment arising from the contract does not exceed a period typical for the relevant type of transaction.

_____ The transaction date for derivative contracts is:

- a) the date upon which the related contract was entered into;
- b) the date when the fair value of the derivative changed; and
- c) the date when performance was effected based on the relevant contract.

_____ The transaction date can also be the date when a receivable or payable arises, changes or ceases to exist, and when other matters to be included in the accounting records occur.

Securities

_____ In accordance with the Fund's strategy, all securities are classified as 'held for trading'. During the accounting period, securities are re-measured to fair value on a daily basis pursuant to Finance Ministry Regulation no. 207/2004 Coll., on determination of fair value of the assets and liabilities of a collective investment fund and the determination of current value of shares of participation certificates of a collective investment fund (henceforth the "Regulation"). The differences between the acquisition cost of securities and the cost determined under the above Regulation are recorded to the balance sheet account 'Gains or losses from revaluation.' Pursuant to the Regulation, securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the rules set out in the Regulation. If the value is not determinable on this basis, the Fund uses a value determined by the Company with due care and diligence, i.e. the values are determined using valuation models based on discounted future cash flows according to the rate of return calculated with reference to the Reuters and Condor+ systems.

_____ Securities are initially measured at cost. The acquisition cost includes direct transaction costs related to the acquisition of securities.

_____ The difference between the cost and nominal value of the purchased debt securities is amortized, using the straight line method, through the income statement from the moment of the securities' acquisition through their maturity.

_____ Upon the sale of securities, the difference between the selling price and the cost of the sold securities determined using the weighted arithmetic average is recorded to income and expense accounts. Realized capital gains and losses are charged through the profit and loss account component 'Profit or loss from financial transactions'.

_____ The accrued interest income on purchased debt securities in the amount set out in the issuing conditions is recorded to a special sub-ledger account of assets. The interest income accrued over the holding

period is included in the value of the debt securities and is posted to a special sub-ledger asset account with a corresponding entry to interest income.

Other Receivables

_____ The Fund records receivables arising from its transactions with securities, receivables from positive fair values of derivatives and other operating receivables.

_____ According to the principle of prudence, the Fund creates provisions against outstanding receivables associated with coupons due from insolvent issuers and against other bad debts.

_____ The Fund recorded no provisions for the year ended 31 December 2004.

Loans and Borrowings

_____ The Fund may accept loans under the conditions defined in the Act to cover a temporary lack of finances.

Financial Derivatives and Hedging Transactions

_____ In the normal course of business, the Fund enters into hedging contracts with financial derivatives to hedge against interest rate and foreign currency exposures associated with its transactions on financial markets.

_____ The Fund designates certain derivatives as hedges provided that the following criteria are met:

- > the Fund has developed a risk management strategy;
- > at the inception of the hedge, the hedging relationship is formally documented, the documentation identifies the hedged item and the hedging instrument, defines the risk that is being hedged and the approach to establishing whether the hedge is effective; and
- > the hedge is effective, that is, changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80 percent to 125 percent.

_____ Nominal values of derivative financial instruments are initially recognized in the off-balance sheet accounts. Changes in the fair value of derivatives that are designated and qualify as hedges (see above) are recorded in the balance sheet account 'Gains or losses from revaluation', which is included in equity. All financial derivatives are recorded as assets when fair value is positive and as liabilities when fair value is negative. Fair values are based on the valuation models.

_____ The balances recognized in the balance sheet are transferred to the profit and loss account and classified as income and expenses in the period in which the hedged asset or liability impacts the profit and loss account.

_____ Certain derivatives are embedded in compound financial instruments, which comprise the host instrument and the derivative. Pursuant to the applicable regulations, the Fund recognizes changes in assets and

liabilities arising from the movements in rates or prices of securities or changes in exchange rates through 'Gains or losses from revaluation'. Given that the assets of the Fund are valued at fair value, embedded derivatives were not accounted for separately in 2004.

Income Tax

Under effective tax regulations, the corporate income tax rate applicable to mutual funds is 5 percent.

The accounting treatment of gains and losses from revaluation was changed starting from 1 January 2005. Securities are revalued through income and expense accounts. The balances of gains or losses from revaluation as of 31 December 2004 are transferred to accumulated profits or losses brought forward. Therefore, the deferred tax from gains or losses from revaluation was not computed as of 31 December 2004.

The deferred tax asset arising from tax losses of previous years is not accounted for due to the uncertainty regarding its realization in the future.

Foreign Currency Translations

Foreign currencies are translated using the exchange rate promulgated by the Czech National Bank as of the relevant date. As of the balance sheet date, assets and liabilities denominated in foreign currencies are translated on the same basis.

Foreign exchange rate gains and losses from the daily translation of assets and liabilities in foreign currencies are posted to equity.

Shareholders' Equity

The selling price of participation certificates is calculated as a proportion of the Fund's equity and the relevant number of participation certificates. Participation certificates are sold to investors using the selling price determined on a daily basis.

Share Premium

Share premium used to be recorded as a component of capital funds. Starting from 2003, it is disclosed separately. Comparative information for previous periods was appropriately adjusted (refer to the 'Statement of changes in equity').

Interest Income and Expense

Accrued interest relating to assets is included in the total balance of these assets. Beginning in 2003, interest income and expense also include gains or losses from hedging interest rate derivatives. Comparative information for previous periods was appropriately adjusted (refer to Note 5.8).

Adjustments Related to Prior Periods

Adjustments to the previous years' income and expenses are recorded as income or expenses in the current year's profit and loss account.

4. Risk Management

Credit Risk

In accordance with the Statute and the investment strategy, the Company establishes rules and policies for selecting investment instruments such that the overall credit risk profile of allocated investments is consistent with the characteristics of the Fund. New types of instruments are approved on a case by case basis by the risk management function together with the specification of limits for positions pertaining to these instruments. Specific emphasis is placed on an appropriate rating structure and diversification of portfolios (especially in relation to credit portfolios and their interest components).

Market Risk

The Fund uses a wide range of tools to eliminate risk exposures attached to its portfolios. Major attention is paid to market risks. Apart from statutory restrictions, the Fund is subject to a set of internal limits having a direct impact on the forex exposure, interest rate exposure (the modified duration range of the Fund), share allocation on individual markets according to their volatility, portfolio rating structure (see above), and other characteristics of the Fund. The relevant limits are appropriately applied to correspond with the type of Fund.

Whenever the Fund purchases new types of instruments, these instruments are first analyzed to assess the potential credit risk (see above), as well as the market risk that the instruments might bring to or help eliminate from the portfolio. Subsequently, their appropriateness and, if appropriate, the acceptable proportion of these instruments in the portfolio is evaluated.

The Fund monitors Value at Risk globally and also broken down to Foreign Exchange VaR, Interest Rate VaR and Equity VaR. Based on the above values, the Fund identifies critical risk segments. This identification influences the re-investment process. The limits set up the maximum acceptable VaR for the Fund.

Relative values of VaR in percentage for individual types of risks:

	31 December 2004	Average in 2004
Global VaR	0.98%	1.43%
Foreign Exchange VaR	0.19%	0.38%
Interest Rate VaR	0.97%	1.39%

Relative risk exposure is calculated as a proportion of VaR (risk exposure in absolute terms) and the portfolio's market value. Relative VaR as of 31 December is determined with a 95% confidence level for 30 days. The 95% confidence level also applies to the average daily relative VaR determined for 30 days.

Adherence to all the above limits and their effectiveness is monitored and assessed on an ongoing basis. The limits are reviewed, if necessary.

_____ The portfolio's risk of unfavorable development of foreign exchange rates, interest rates, and other market factors is hedged, to an appropriate extent, by financial derivatives. Financial derivatives are purchased or sold on the OTC market as this market enables the trading of contracts whose parameters and nature appropriately satisfy the requirements of a hedge. Portfolios primarily include currency swaps, currency forwards and interest rate swaps. Derivative positions are therefore opened exclusively for the purpose of hedging, as described above.

Liquidity Risk

_____ Liquidity risk is a risk that the Fund will not have enough disposable resources to meet its obligations arising from financial contracts.

Liquidity is monitored and managed based on expected cash flows, with appropriate adjustments made to the structure of securities and term placements portfolios.

_____ Pursuant to the Act, the Company is obliged to purchase a participation certificate without undue delay but not later than one month from the date when the repurchase right is claimed. Given that the Fund holds securities traded at foreign stock exchanges which can be realized within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

5. Additional Information on the Financial Statements

5.1. Receivables from Banks

Receivables from banks	31 Dec 2004	31 Dec 2003	31 Dec 2002
Current accounts	76,299	64,442	30,893
Term deposits	-	26,816	42,303
Total	76,299	91,258	73,196

_____ Balances on current accounts are repayable on demand.

5.2. Securities

_____ Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to these Notes. All securities held by the Fund are publicly tradable at the Prague Stock Exchange or stock exchanges abroad. Participation certificates which are not tradable at stock exchanges are purchased and administered by the Company.

Shares, participation certificates and other holdings	31 Dec 2004	31 Dec 2003	31 Dec 2002
Acquisition cost	28,159	-	-
Market revaluation	-298	-	-
Total	27,861	-	-

Debt securities	31 Dec 2004	31 Dec 2003	31 Dec 2002
Acquisition cost	319,170	332,404	320,418
Market revaluation	11,029	1,695	9,610
Discount charged on an accrual basis, premium	-637	-3,529	-1,531
Accrued interest income	5,755	6,580	5,129
Total	335,317	337,150	333,626

_____ Of the aggregate volume of debt securities, debt securities maturing within one year, debt securities maturing within more than one year with a variable coupon and debt securities maturing within more than one year with a fixed coupon account for 11.25%, 7.94% and 80.81%, respectively.

5.3. Other Assets

Other assets	31 Dec 2004	31 Dec 2003	31 Dec 2002
Tax receivable	712	191	-
Positive fair values of derivatives	757	-	-
Other receivables	3,133	3,576	3,613
Total	4,602	3,767	3,613

Other receivables mainly include funds provided to Česká spořitelna a. s., which provides administration services and is responsible for the payment of dividends from participation certificates totaling CZK 1,106 thousand (2003: CZK 2,464 thousand; 2002: CZK 543 thousand), and receivables from coupons of CZK 2,016 thousand (2003: CZK 1,112 thousand; 2002: CZK 3,070 thousand).

5.4. Equity

In accordance with the accounting policies, the Fund has no share capital. The nominal value of participation certificates is CZK 5,000 and CZK 50,000. Certificates with the value of CZK 50,000 have been issued since 2003. The total nominal value of all participation certificates is posted to 'Capital funds'.

Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded independently. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase.

The selling price of a participation certificate is determined as a proportion of the Fund's equity and the number of participation certificates issued. For the purposes of calculation, participation certificates with the nominal value CZK 50,000 are counted as ten CZK 5,000 certificates. The value of a participation certificate as of 31 December 2004 totaled CZK 5,416.8825 in respect of participation certificates with the nominal value of CZK 5,000.

The profit generated in 2003 (CZK 14,395 thousand) and 2002 (CZK 12,262 thousand) was paid out to the shareholders in line with the Fund's Statute. The profit balance of 2002 totaling CZK 176 thousand was transferred to retained earnings. In accordance with the Statute, the profit of CZK 11,917 thousand generated in 2004 will also be paid out to the shareholders.

Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Total capital funds
Balance at 31 Dec 2002	71,221	356,105	356,105
Participation certificates sold	15,275	76,375	76,375
Participation certificates purchased	-6,180	-30,900	-30,900
Balance at 31 Dec 2003	80,316	401,580	401,580
Participation certificates sold	10,117	50,585	50,585
Participation certificates purchased	-9,456	-47,280	-47,280
Balance at 31 Dec 2004	80,977	404,885	404,885

Gains and Losses from Revaluation

	From assets and liabilities	From hedging derivatives	Total gains and losses from revaluation
Balance at 31 Dec 2002	8,570	-1,644	6,926
Of which: debt securities	9,610	-	-
other assets and liabilities	182	-	-
deferred tax	-1,222	-	-
Balance at 31 Dec 2003	1,353	-434	919
Of which: debt securities	1,695	-	-
other assets and liabilities	-180	-	-
deferred tax	-162	-	-
Balance at 31 Dec 2004	10,507	757	11,264
Of which: debt securities	11,029	-	-
other assets and liabilities	-522	-	-

5.5. Other Liabilities

Other liabilities	31 Dec 2004	31 Dec 2003	31 Dec 2002
Negative values of financial derivatives	-	456	1,644
Payables from management fees	366	391	386
Payables from securities trading	-	-	18,612
Payables to shareholders	4,944	4,089	2,122
Deferred tax liability	-	162	1,222
Tax liability	-	-	142
Other payables	78	123	176
Total	5,388	5,221	24,304

_____ Payables to shareholders include payables from shareholders' placements totaling CZK 981 thousand (2003: CZK 1,030 thousand; 2002: CZK 2,122 thousand), and payables from coupons not yet paid out totaling CZK 3,963 thousand (2003: CZK 3,059 thousand; 2002: CZK nil).

5.6. Accrued Expenses and Deferred Income

_____ Accrued expenses relate to the unbilled custody fee of CZK 48 thousand related to December 2004 (2003: CZK 25 thousand; 2002: CZK 53 thousand).

5.7. Financial Derivatives Posted as Hedging Derivatives

	Nominal value		Nominal value		Nominal value	
	2004 assets	2004 liabilities	2003 assets	2003 liabilities	2002 assets	2002 liabilities
Currency instruments						
Currency swaps	55,768	55,768	151,954	151,954	74,045	74,045
Currency forwards	-	-	-	-	11,377	11,377
Total currency instruments	55,768	55,768	151,954	151,954	85,422	85,422
Interest rate instruments						
Interest rate swaps	-	-	10,000	10,000	-	-
Total interest rate instruments	-	-	10,000	10,000	-	-
Total	55,768	55,768	161,954	161,954	85,422	85,422

	2004 positive	Fair value 2004 negative	2003 positive	Fair value 2003 negative	2002 positive	Fair value 2002 negative
Currency instruments						
Currency swaps	757	-	-	120	-	1,514
Currency forwards	-	-	-	-	-	130
Total currency instruments	757	-	-	120	-	1,644
Interest rate instruments						
Interest rate swaps	-	-	-	336	-	-
Total interest rate instruments	-	-	-	336	-	-
Total	757	-	-	456	-	1,644

_____ Currency derivatives are due within one year.

5.8. Interest Income and Expense

Income	2004	2003	2002
Interest on deposits at banks	2,180	3,458	2,928
Interest on debt securities	15,016	13,910	14,686
Interest on hedging derivatives	59	16	-
Total	17,255	17,384	17,614
Expense	2004	2003	2002
Interest on hedging derivatives	245	37	14
Total	245	37	14

_____ Beginning in 2003, interest income and expense also include gains or losses from hedging interest rate derivatives. Comparative information for previous periods was appropriately adjusted.

5.9. Fees and Commissions

	2004	2003	2002
Management fees	4,205	4,481	4,056
Custody fees	535	471	664
Commissions and fees from securities trading	28	7	69
Administration of securities	166	99	88
Other fees and commissions	55	53	66
Total	4,989	5,111	4,943

_____ In compliance with the Statute of the Fund, the management fee paid to the Company amounts to 1% of the average annual equity value.

_____ Pursuant to the custody service contract entered into with Česká spořitelna, a. s., the Fund paid a fee equal to 0.12% of its average annual equity value until 30 April 2004. Starting from 1 May 2004, the fee equals 0.11% of the Fund's average annual equity value increased by the standard VAT rate.

5.10. Profit or Loss from Financial Operations

	2004	2003	2002
Profit (loss) from securities held for trading	929	6,293	-2,815
Profit (loss) from derivatives	58	-3,078	6,454
Profit (loss) from FX differences	968	2,402	2,254
Total	1,955	5,617	5,893

_____ Profit or loss from derivatives relates to the profit or loss arising from the settlement of fixed term transactions with currency instruments.

_____ Profit or loss from foreign exchange rate differences relates to the amount of realized foreign exchange rate differences on foreign currency accounts and from the settlement of foreign receivables and payables.

5.11. Administrative Expenses

Administrative expenses	2004	2003	2002
Audit	133	129	62
Remuneration for the payment of income	1,315	1,308	-
Total	1,448	1,437	62

_____ In line with the change of the Statute, the administrator's fee for the payment of coupons has been paid by the Fund since 2003.

5.12. Income Tax**Main Income Tax Components:**

	2004	2003	2002
Tax payable – current year	629	2,021	2,307
Total income tax	629	2,021	2,307

Current Income Tax – Analysis:

	31 Dec 2004
Profit/(loss) before tax	12,546
Items to add	4
Deductible items	18
Tax base	12,532
Tax on tax base	627
Dividends abroad	17
Tax on dividends abroad	2
Additional tax payments	0
Total tax	629

5.13. Related Party Transactions

Related parties include Česká spořitelna, a. s. and the Company.

	2004	2003	2002
Payables from management fees – ISČS, a. s.	366	391	386
Custody fee for December 2004 not yet billed – ČS, a. s.	48	25	53
Other payables to related parties	431	115	20,420
Total	845	531	20,859

_____ The costs charged to the Fund by Česká spořitelna, a. s. in 2004 totaled CZK 2,094 thousand (2003: CZK 1,938 thousand, 2002: 826 thousand), of which the greatest portion was represented by the fee for the payment of coupons of CZK 1,315 thousand (CZK 1,308 thousand; in 2002, the greatest portion was the custody fee of CZK 664 thousand), recorded as other administrative costs. The annual management fee charged by the Company amounted to CZK 4,205 thousand (CZK 4,481 thousand, 2002: CZK 4,056 thousand).

_____ Other payables in 2002 include the amount of CZK 18,612 thousand for the purchase of securities.

5.14. Liquidity

_____ The following table shows residual maturity of assets broken down by major types. Given that all securities are traded on public markets, sales can be effected within three months.

	Less than 3 months	3 months– –1 year	1–5 years	Over 5 years	Not specified	Total
Receivables from banks	76,299	-	-	-	-	76,299
Debt securities	30,496	7,219	161,752	135,850	-	335,317
Participation certificates	-	-	-	-	27,861	27,861
Other assets	3,845	-	-	-	757	4,602
Total assets	110,640	7,219	161,752	135,850	28,618	444,079

5.15. Off-balance Sheet Assets and Liabilities

_____ The item ‘Assets provided into custody, administration and safekeeping’ relates to foreign and local securities administered by Česká spořitelna, a. s.

5.16. Contingent Assets and Liabilities

_____ The Fund has no assets or liabilities that were not disclosed in the balance sheet or off-balance sheet records as of 31 December 2004.

5.17. Compliance with Section 24 (1) to (5) of Act No. 248/1992 Coll.

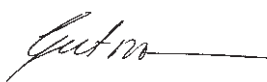
_____ As of 31 December 2004, the Fund did not breach the limit set under Section 24 (1) to (5) of Act no. 248/1992 Coll., as amended.

5.18. Subsequent Events

_____ On 28 January 2005, the Company filed a petition with the Securities Commission regarding the change of the Statute of the Fund resulting from its transformation to a standard fund complying with the requirements of European Community law and in connection with bringing the Statute in line with the Collective Investing Act no. 189/2004 Coll.



Petr Zapletal
Chairman of the Board of Directors
Investiční společnost České spořitelny, a. s.



Guntard Gutmann
Member of the Board of Directors
Investiční společnost České spořitelny, a. s.

Portfolio at 31 December 2004

ISIN	Name of the security	No.	Market value	Total market value	Total market accrued interest income
CZ0003501355	CESKY TELECOM 3.5/08	3	992,600.00	2,977,800.00	49,875.00
CZ0003501306	CESKY TELECOM 4.55/05	700	10,105.00	7,073,500.00	145,979.17
Local bonds after 1. 1. 1998 – corporate				10,051,300.00	195,854.17
CZ0001000863	CZECH GB 3.95/02-08-07	2,500	10,226.00	25,565,000.00	405,972.22
CZ0001000798	SD 2.9/08	1,500	9,907.00	14,860,500.00	341,958.33
CZ0001000814	SD 3.7/13	3,600	9,789.00	35,240,400.00	717,800.00
CZ0001000855	SD 3.8/09	7,000	10,180.00	71,260,000.00	2,054,111.11
CZ0001000822	SD 4.6/18	2,500	10,216.00	25,540,000.00	421,666.67
CZ0001000764	SD 6.55/11	2,400	11,646.00	27,950,400.00	371,166.67
CZ0001000749	SD 6.95/16	2,900	12,406.00	35,977,400.00	-145,563.89
Local bonds after 1. 1. 1998 – state				236,393,700.00	4,167,111.11
XS0174316256	DEXIA CREDIT LOCAL BARR-SKK/EUR	20	537,400.00	10,748,000.00	196,875.00
XS0090897488	ERSTE BANK 10.16/08	1	12,277,517.09	12,277,517.09	273,755.56
XS0185557609	ERSTE BANK BARR-PLN/EUR	1	10,465,400.00	10,465,400.00	183,050.00
XS0126007474	MONUMENT GLOBAL FUNDING 5.75/05	400	25,122.30	10,048,920.00	456,849.32
XS0172975111	RWE VAR/04-09	50	99,937.50	4,996,875.00	29,458.33
XS0193834156	CEZ FINANCE 4.625/08-06-11 (EUR)	300	31,794.98	9,538,494.01	238,565.99
Foreign bonds – corporate				58,075,206.10	1,378,554.20
XS0180416934	EIB 2.97/28-11-08	5	1,010,283.60	5,051,418.00	13,426.03
Foreign bonds – state				5,051,418.00	13,426.03
AT0000809165	ESPA BOND EMERGING-MARKETS	3,527	3,265.85	11,518,645.90	0.00
AT0000805684	ESPA BOND EUROPE-HIGH YIELD	1,412	2,913.06	4,113,245.38	0.00
AT0000637491	ESPA BOND USA HIGH YIELD	1,185	3,452.29	4,090,968.15	0.00
AT0000626031	ESPA CASH ASSET-BACKED	1,317	3,090.67	4,070,417.99	0.00
AT0000626056	ESPA SHORT TERM-PREFERRED A	1,309	3,107.73	4,068,024.66	0.00
Foreign participation certificates				27,861,302.08	0.00
20701437	070105 MF CZ0001000988	20	999,528.89	19,990,577.74	0.00
Local treasury bills				19,990,577.74	0.00
Total portfolio				357,423,503.92	5,754,945.51

Auditor's Report to the Shareholders of the Fund Investiční společnost České spořitelny, a. s., Sporotrend – otevřený podílový fond

Having its registered office at: Praha 1, Staré Město, Na Perštýně 342/1
Identification number: 44796188
Principal activities: open – ended mutual fund

We have audited the accompanying financial statements of the fund Investiční společnost České spořitelny, a. s., Sporotrend – otevřený podílový fond for the year ended 31 December 2004. These financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on the financial statements, taken as a whole, based on our audit.

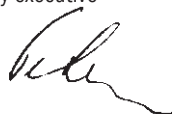
We conducted our audit in accordance with the Act on Auditors and the auditing standards issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and conduct the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, the accounting records and other evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Company in the preparation of the financial statements, as well as evaluation of the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion on the financial statements.

In our opinion, the financial statements give a true and fair view, in all material respects, of the assets, liabilities, equity and financial position of the fund Investiční společnost České spořitelny, a. s., Sporotrend – otevřený podílový fond as of 31 December 2004 and of the results of its operations for the year then ended in accordance with the Accounting Act and applicable Czech regulations.

In Prague on 14 March 2005



Audit firm:
Deloitte s. r. o.
Certificate no. 79
Represented by:
Michal Petrman, statutory executive



Statutory auditor:
Michal Petrman
Certificate no. 1105

Balance Sheet as at 31 December 2004

Assets (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Receivables from banks	01	178,957	44,657	10,044
of which: a/current accounts	02	178,957	44,657	10,044
b/term deposits	03			
c/repo transactions	04			
2 Receivables from non-banking entities	05			
of which: repo transactions	06			
3 Debt securities	07			
a/issued by the government	08			
b/issued by other entities	09			
4 Shares, unit certificates and other participation interests	10	1,741,164	926,797	556,319
5 Other assets	11	969	514	434
a/derivatives	12		33	
b/receivables from securities trading	13			
c/receivables from taxes	14		101	15
d/other assets	15	969	380	419
6 Deferred expenses and accrued income	16		65	
Total assets	17	1,921,090	972,033	566,797
Liabilities (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Payables to banks	18			
of which: repo transactions	19			
2 Payables to non-banking entities	20			
of which: repo transactions	21			
3 Other liabilities	22	14,831	2,311	2,081
a/derivatives	23			910
b/liabilities from securities trading	24	9,064		
c/liabilities from taxes	25	532		
d/other liabilities	26	5,235	2,311	1,171
4 Deferred income and accrued expenses	27	208	81	58
5 Reserves	28			
of which: for taxes	29			
6 Share premium	30	-28,959	-60,412	-15,508
7 Other funds from profit	31	29,859		
8 Capital funds	32	1,347,739	921,840	685,183
9 Gains or losses from revaluation	33	397,000	78,354	-43,677
a/from assets and liabilities	34	397,000	78,321	-42,767
b/from hedging derivatives	35		33	-910
10 Retained earnings or accumulated losses from previous periods	36			
11 Profit or loss for the accounting period	37	160,412	29,859	-61,340
Total liabilities	38	1,921,090	972,033	566,797
of which: equity	39	1,906,051	969,641	564,658

Off Balance Sheet Accounts at 12/31/2004

Off balance sheet assets (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Amounts due from repo transactions	01			
2 Amounts due from fixed term transactions	02		24,073	79,770
a/with interest rate instruments	03			
b/with currency instruments	04		24,073	79,770
3 Receivables written off	05			
4 Assets provided into custody, administration and safekeeping	06	1,741,164	631,763	425,779
of which: securities	07	1,741,164	631,763	425,779
5 Received guarantees and collateral	08			
6 Amounts owed from fixed term transactions	09		24,073	79,770
a/with interest rate instruments	10			
b/with currency instruments	11		24,073	79,770

Profit and Loss Account for the Year Ended 12/31/2004

Item (in thousands CZK)	Line	Result in accounting period		
		Current	Previous 1	Previous 2
1 Interest income and similar income	01	2,488	1,436	691
of which: a/interest income from bonds	02			
b/interest from repo transactions	03	76	111	
2 Interest expenses and similar expenses	04			2
3 Income from shares and unit certificates	05	36,340	15,252	8,396
4 Commission and fee expenses	06	31,500	15,210	14,807
a/fees and commissions from securities trading	07	1,475	1,132	1,600
b/administrative fee	08	26,476	12,264	11,457
c/custody fee	09	1,876	802	942
d/other financial expenses	10	1,673	1,012	808
5 Profit or loss on financial operations	11	157,023	29,487	-54,858
of which: a/profit or loss on transactions with securities	12	155,130	32,829	-54,092
b/profit or loss on foreign exchange transactions and options	13	-1,763	-1,901	-2,376
c/profit or loss on fixed term transactions and options	14	3,656	-1,441	1,610
6 Other operating income	15			227
7 Other operating expenses	16			
8 Administrative expenses	17	140	131	64
a/audit	18	140	131	64
b/other administrative expenses	19			
9 Release of provisions against receivables and income from receivables written off	20	112	72	
10 Depreciation and creation of provisions against receivables	21	191	295	6
11 Ordinary profit or loss for the accounting period before tax	22	164,132	30,611	-60,423
12 Extraordinary income	23			
13 Extraordinary expenses	24			
14 Extraordinary profit or loss for the accounting period before tax	25			
15 Income tax	26	3,720	752	917
16 Profit or loss for the accounting period after tax	27	160,412	29,859	-61,340

Statement of Changes in Equity for the Year Ended 12/31/2004

Assets (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Share premium	01			
opening balance	02	-60,412	-15,508	-75,246
issued unit certificates	03	73,086	-122,955	-43,510
repurchase of unit certificates	04	-41,667	78,051	103,248
other changes	05	34		
closing balance	06	-28,959	-60,412	-15,508
2 Retained earnings	07			
opening balance	08			6,997
transfers to funds	09	29,859		
other changes	10			-6,997
closing balance	11	29,859		
3 Capital funds	12			
opening balance	13	921,840	685,183	972,602
issued unit certificates	14	1,360,589	678,736	144,224
repurchase of unit certificates	15	-934,690	-380,739	-313,955
transfers to funds	16		-61,340	-117,688
other changes	17			
closing balance	18	1,347,739	921,840	685,183
4 Gains or losses from revaluation	19			
opening balance	20	78,354	-43,677	-104,072
foreign exchange rate differences and gains or losses from revaluation	21	318,646	122,031	60,395
closing balance	22	397,000	78,354	-43,677
5 Retained earnings or accumulated losses from previous periods	23			
opening balance	24			20
other changes	25			-20
closing balance	26			
6 Profit (loss) for the current period after taxes	27			
opening balance	28	29,859	-61,340	-124,705
profit (loss)	29	160,412	29,859	-61,340
transfers to funds, dividends	30	-29,859	61,340	124,705
closing balance	31	160,412	29,859	-61,340
7 Total	32	1,906,051	969,641	564,658

Notes to the Financial Statements for the Year Ended 31 December 2004

1. Background Information and Principle Operations

Incorporation and Description of the Fund

Investiční společnost České spořitelny a. s., Sporotrend – otevřený podílový fond (hereinafter the “Fund”) is an accounting unit without legal entity status, incorporated by Investiční společnost České spořitelny, a. s. (hereinafter the “Company”) as an open-ended mutual fund under the Investment Companies and Funds Act no. 248/1992 Coll., as subsequently amended, based upon the Resolution of the Ministry of Finance of the Czech Republic dated 13 November 1997. The Fund began its operations on 31 March 1998.

Pursuant to a concluded contract, Česká spořitelna, a. s. acts as the depository of the Fund.

Based on the application of the Company dated 16 July 1999, the Securities Commission resolved, on 21 September 1999, to merge two open-ended mutual funds, Investiční společnost Čechoinvest and Investiční společnosti Moravoinvest, with the open-ended mutual fund Investiční společnost ČS, a. s. – Sporobond under Section 35f (3) of Act No. 248/1992 Coll. The merger was performed as of 28 December 1999.

As of 1 May 2004, the Collective Investing Act no. 189/2004 (hereinafter the “Act”) took legal effect. Section 140 of this Act invalidates the Investment Companies and Funds Act no. 248/1992 Coll. Pursuant to the provisions of Section 136 (4) and (8) and Section 84 (14) of the Act, the current Statute of the Fund remains in force during the transition period until the new Statute becomes effective (no later than 30 April 2005); this also applies to the references to the provisions of the Act no. 248/1992 Coll. made in the Statute and the related legal regulations.

The Fund is managed by the Company. In accordance with the Act, the Company is responsible for the management of the assets of the Fund, which involves the administration and care of the assets.

Registered Office

Investiční společnost České spořitelny, a. s.
Sporotrend - otevřený podílový fond
Praha 1, Staré Město, Na Perštýně 342/1

Principal Operations

The Company collects finance of individuals and corporate entities for the Fund by issuing participation certificates with the purpose of their collective investment on local and foreign money and capital markets. No restrictions are placed on the number of participation certificates for issue and their selling period.

The Fund conducts its operations solely on the territory of the Czech Republic.

Investment Policy

The objective of the Fund is to achieve long-term appreciation primarily by investing in shares of companies in European Union member states. Given the possible unexpected fluctuations on financial markets, the Company provides no guarantees as to the fulfillment of this objective.

Finances collected by the Fund are invested in shares and other securities permitted by the Act.

The Fund's portfolio is also expanded by purchasing participation certificates of open-ended mutual funds and securities of foreign entities engaged in collective investing if their objectives and investment policy are not in conflict with the objectives of the Fund.

The allocation by region and sector as well as the selection of individual stocks is managed with the aim to exceed the yield on index investments.

The Fund uses financial derivatives to hedge against foreign currency exposures and against the risks associated with the unfavorable development of prices on stock markets.

2. Basis of Preparation of the Financial Statements

The financial statements have been prepared on the basis of underlying accounting records maintained in accordance with the Accounting Act 563/1991 Coll., and applicable regulations, decrees and internal standards in compliance with and in the scope defined in the Czech Finance Ministry Regulation no. 501/2001 of 6 November 2002, as subsequently amended, which sets out the overall framework for the presentation of the financial statements, and guidelines for the structure and minimum requirements for the content of the financial statements of banks and certain financial institutions, and Czech Accounting Standards, which establish the accounting principles and policies for financial institutions.

The information disclosed for the two immediately preceding accounting periods is reported in line with the requirements of the year to which the financial statements relate.

The Fund is obliged to comply with the regulatory requirements of the Act.

The accounting records are maintained in compliance with general accounting principles, specifically the accruals principle, the prudence concept and the going concern assumption.

The financial statements contain the balance sheet, profit and loss account, off balance sheet records, statement of changes in equity, and notes to the financial statements.

The preparation of the financial statements requires that the Fund make estimates which have an impact on the reported amounts of assets and liabilities as well as expenses and income in the relevant accounting

period. These estimates are based on information available as of the date of the financial statements and may differ from the actual results.

_____ These financial statements are unconsolidated.

_____ All figures are stated in thousands of Czech crowns (CZK), unless indicated otherwise.

3. Accounting Methods Applied

Transaction Date

_____ Purchases and sales of securities are recognized upon conclusion of the related contract (the trade date) provided that the period between the trade date and the fulfillment of the commitment arising from the contract does not exceed a period typical for the relevant type of transaction.

_____ The transaction date for derivative contracts is:

- a) the date upon which the related contract was entered into;
- b) the date when the fair value of the derivative changed; and
- c) the date when performance was effected based on the relevant contract.

_____ The transaction date can also be the date when a receivable or payable arises, changes or ceases to exist, and when other matters to be included in the accounting records occur.

Securities

_____ In accordance with the Fund's strategy, all securities are classified as 'held for trading'. During the accounting period, securities are re-measured to fair value on a daily basis pursuant to Finance Ministry Regulation no. 207/2004 Coll., on determination of fair value of the assets and liabilities of a collective investment fund and the determination of current value of shares of participation certificates of a collective investment fund (henceforth the "Regulation"). The differences between the acquisition cost of securities and the cost determined under the above Regulation are recorded to the balance sheet account 'Gains or losses from revaluation.' Pursuant to the Regulation, securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the rules set out in the Regulation. If the value is not determinable on this basis, the Fund uses a value determined by the Company with due care and diligence, i.e. the values are determined using valuation models based on discounted future cash flows according to the rate of return calculated with reference to the Reuters and Condor+ systems.

_____ Securities are initially measured at cost. The acquisition cost includes direct transaction costs related to the acquisition of securities.

_____ The difference between the cost and nominal value of the purchased debt securities is amortized, using the straight line method, through the income statement from the moment of the securities' acquisition through their maturity.

_____ Upon the sale of securities, the difference between the selling price and the cost of the sold securities determined using the weighted arithmetic average is recorded to income and expense accounts. Realized capital gains and losses are charged through the profit and loss account component 'Profit or loss from financial transactions'.

Repo Transactions

_____ The sale of securities with a concurrent agreement to repurchase and the purchase of securities with a concurrent agreement to re-sell are recognized as acceptance (provision) of a loan collateralized by a transfer of securities.

_____ Securities provided as a loan and securities under repo transactions are accounted for on independent sub-ledger accounts of general accounts in which they were posted prior to being provided as a loan or in a repo transaction.

_____ As of 31 December 2004, the Fund entered into no repo transactions.

Other Receivables

_____ The Fund records receivables arising from its transactions with securities, receivables from positive fair values of derivatives and other operating receivables.

_____ According to the principle of prudence, outstanding receivables associated with dividends are provisioned in full after two years following the recognition of the claim. Further, such provisions are created against other bad debts.

Loans and Borrowings

_____ The Fund may accept loans under the conditions defined in the Act to cover a temporary lack of finances.

Financial Derivatives and Hedging Transactions

_____ In the normal course of business, the Fund enters into hedging contracts with financial derivatives to hedge against interest rate and foreign currency exposures associated with its transactions on financial markets.

_____ The Fund designates certain derivatives as hedges provided that the following criteria are met:

- > the Fund has developed a risk management strategy;
- > at the inception of the hedge, the hedging relationship is formally documented, the documentation identifies the hedged item and the hedging instrument, defines the risk that is being hedged and the approach to establishing whether the hedge is effective; and
- > the hedge is effective, that is, changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80 percent to 125 percent.

_____ Nominal values of derivative financial instruments are initially recognized in the off-balance sheet accounts. Changes in the fair value of derivatives that are designated and qualify as hedges (see above) are recorded in the balance sheet account 'Gains or losses from revaluation', which is included in equity. All financial derivatives are recorded as assets when fair value is positive and as liabilities when fair value is negative. Fair values are based on the valuation models.

_____ The balances recognized in the balance sheet are transferred to the profit and loss account and classified as income and expenses in the period in which the hedged asset or liability impacts the profit and loss account.

_____ Certain derivatives are embedded in compound financial instruments, which comprise the host instrument and the derivative. Pursuant to the applicable regulations, the Fund recognizes changes in assets and liabilities arising from the movements in rates or prices of securities or changes in exchange rates through 'Gains or losses from revaluation'. Given that the assets of the Fund are valued at fair value, embedded derivatives were not accounted for separately in 2004.

Income Tax

_____ Under effective tax regulations, the corporate income tax rate applicable to mutual funds is 5 percent.

_____ The accounting treatment of gains and losses from revaluation was changed starting from 1 January 2005. Securities are revalued through income and expense accounts. The balances of gains or losses from revaluation as of 31 December 2004 are transferred to accumulated profits or losses brought forward. Therefore, the deferred tax from gains or losses from revaluation was not computed as of 31 December 2004.

_____ The deferred tax asset arising from tax losses of previous years is not accounted for due to the uncertainty regarding its realization in the future.

Foreign Currency Translations

_____ Foreign currencies are translated using the exchange rate promulgated by the Czech National Bank as of the relevant date. As of the balance sheet date, assets and liabilities denominated in foreign currencies are translated on the same basis.

_____ Foreign exchange rate gains and losses from the daily translation of assets and liabilities in foreign currencies are posted to equity.

Shareholders' Equity

_____ The selling price of participation certificates is calculated as a proportion of the Fund's equity and the relevant number of participation certificates. Participation certificates are sold to investors using the selling price determined on a daily basis.

Share Premium

_____ Share premium used to be recorded as a component of capital funds. Starting from 2003, it is disclosed separately. Comparative

information for previous periods was appropriately adjusted (refer to the 'Statement of changes in equity').

Interest Income and Expense

_____ Accrued interest relating to term deposits is included in the total balance of these deposits.

Adjustments Related to Prior Periods

_____ Adjustments to the previous years' income and expenses are recorded as income or expenses in the current year's profit and loss account, unless they relate to significant errors.

4. Risk Management

Credit Risk

_____ In accordance with the Statute and the investment strategy, the Company establishes rules and policies for selecting investment instruments such that the overall credit risk profile of allocated investments is consistent with the characteristics of the Fund. New types of instruments are approved on a case by case basis by the risk management function together with the specification of limits for positions pertaining to these instruments. Specific emphasis is placed on an appropriate rating structure and diversification of portfolios (especially in relation to credit portfolios and their interest components).

Market Risk

_____ The Fund uses a wide range of tools to eliminate risk exposures attached to its portfolios. Major attention is paid to market risks. Apart from statutory restrictions, the Fund is subject to a set of internal limits having a direct impact on the forex exposure, interest rate exposure (the modified duration range of the Fund), share allocation on individual markets according to their volatility, portfolio rating structure (see above), and other characteristics of the Fund. The relevant limits are appropriately applied to correspond with the type of Fund.

_____ Whenever the Fund purchases new types of instruments, these instruments are first analyzed to assess the potential credit risk (see above), as well as the market risk that the instruments might bring to or help eliminate from the portfolio. Subsequently, their appropriateness and, if appropriate, the acceptable proportion of these instruments in the portfolio is evaluated.

_____ The Fund monitors Value at Risk globally and also broken down to Foreign Exchange VaR, Interest Rate VaR and Equity VaR. Based on the above values, the Fund identifies critical risk segments. This identification influences the re-investment process. The limits set up the maximum acceptable VaR for the Fund.

_____ Relative values of VaR in percentage for individual types of risks:

	31 December 2004	Average in 2004
Global VaR	7.53%	8.22%
Foreign Exchange VaR	2.82%	2.75%
Equity VaR	6.50%	7.16%

Relative risk exposure is calculated as a proportion of VaR (risk exposure in absolute terms) and the portfolio's market value. Relative VaR as of 31 December is determined with a 95% confidence level for 30 days. The 95% confidence level also applies to the average daily relative VaR determined for 30 days.

Adherence to all the above limits and their effectiveness is monitored and assessed on an ongoing basis. The limits are reviewed, if necessary.

The portfolio's risk of unfavorable development of foreign exchange rates, interest rates, and other market factors is hedged, to an appropriate extent, by financial derivatives. Financial derivatives are purchased or sold on the OTC market as this market enables the trad-

ing of contracts whose parameters and nature appropriately satisfy the requirements of a hedge. Portfolios primarily include currency swaps, currency forwards and interest rate swaps. Derivative positions are therefore opened exclusively for the purpose of hedging, as described above.

Liquidity Risk

Liquidity risk is a risk that the Fund will not have enough disposable resources to meet its obligations arising from financial contracts. Liquidity is monitored and managed based on expected cash flows, with appropriate adjustments made to the structure of securities and term placements portfolios.

Pursuant to the Act, the Company is obliged to purchase a participation certificate without undue delay but not later than one month from the date when the repurchase right is claimed. Given that the Fund holds securities traded at foreign stock exchanges which can be realized within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

5. Additional Information on the Financial Statements

5.1. Receivables from Banks

Receivables from banks	2004	2003	2002
Current accounts	178,957	44,657	10,044
Term deposits	-	-	-
Total	178,957	44,657	10,044

Current account balances are repayable on demand.

5.2. Securities

Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to these Notes. All securities held by the Fund are publicly tradable at the Prague Stock Exchange or stock exchanges abroad.

Participation certificates which are not tradable at stock exchanges are purchased and administered by the Company.

Shares, participation certificates and other holdings	2004	2003	2002
Acquisition cost	1,343,986	848,335	599,027
Market revaluation	397,178	78,462	-42,708
Total	1,741,164	926,797	556,319

5.3. Other Assets

Other assets	2004	2003	2002
Receivables from securities trading	4,762	4,762	4,762
Tax receivable	-	101	15
Other receivables	1,292	653	528
Positive values of financial derivatives	-	33	-
Provisions	-5,085	-5,035	-4,871
Total	969	514	434

As of 31 December 2004, provisions were created against receivables from securities trading in the amount of CZK 4,762 thousand, which relate to the outstanding additional charge for the purchase price of securities and which were registered for recovery under bankruptcy proceedings within the statutory period (2003: CZK 4,762 thousand; 2002: CZK 4,762 thousand), and against other receivables in the amount of CZK 323 thousand (2003: CZK 273 thousand; 2002: CZK 109 thousand).

5.4. Equity

In accordance with the accounting policies, the Fund has no share capital. The nominal value of a participation certificate is CZK 1. The total nominal value of all participation certificates is posted to 'Capital funds'.

Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded independently. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase.

The selling price of a participation certificate is determined as a proportion of the Fund's equity and the number of participation certificates issued.

The carrying value of a participation certificate as of 31 December 2004 was CZK 1.2452.

In accordance with the Statute of the Fund, the loss of CZK 61,340 thousand incurred in 2002 was covered from 'Capital funds' and the profit of CZK 29,859 thousand generated in 2003 was allocated to the 'Reinvestment fund'.

The profit of CZK 160,412 thousand generated in 2004 will be transferred to the 'Reinvestment fund' in line with the Statute.

Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Addition upon the merger	Drawing from the fund to cover losses	Total capital funds
Balance at 31 Dec 2002	806,832,525	806,833	3,556	-125,206	685,183
Participation certificates sold	678,735,657	678,736	-	-	678,736
Participation certificates purchased	-380,738,798	-380,739	-	-	-380,739
Covered loss	-	-	-	-61,340	-61,340
Balance at 31 Dec 2003	1,104,829,384	1,104,830	3,556	-186,546	921,840
Participation certificates sold	1,360,588,890	1,360,589	-	-	1,360,589
Participation certificates purchased	-934,690,173	-934,690	-	-	-934,690
Covered loss	-	-	-	-	-
Balance at 31 Dec 2004	1,530,728,101	1,530,729	3,556	-186,546	1,347,739

Gains and Losses from Revaluation

	From assets and liabilities	From hedging derivatives	Total gains and losses from revaluation
Balance at 31 Dec 2002	-42,767	-910	-43,677
Balance at 31 Dec 2003	78,321	33	78,354
Balance at 31 Dec 2004	397,000	-	397,000

_____ Gains and losses from revaluation relate to shares and foreign exchange rate differences arising from the revaluation of other assets and liabilities.

5.5. Other Liabilities

Other liabilities	2004	2003	2002
Negative values of financial derivatives	-	-	910
Payables from management fees	2,859	1,454	847
Payables from securities trading	9,064	-	14
Payables from shareholders' placements	1,091	454	22
Tax liability	532	-	-
Other payables	1,285	403	288
Total	14,831	2,311	2,081

5.6. Financial Derivatives Posted as Hedging Derivatives

Currency instruments	Nominal value		Nominal value		Nominal value	
	2004 assets	2004 liabilities	2003 assets	2003 liabilities	2002 assets	2002 liabilities
Currency swaps	-	-	24,073	24,073	-	-
Currency forwards	-	-	-	-	79,770	79,770
Total	-	-	24,073	24,073	79,770	79,770

Currency instruments	Fair value		Fair value		Fair value	
	2004 positive	2004 negative	2003 positive	2003 negative	2002 positive	2002 negative
Currency swaps	-	-	33	-	-	-
Currency forwards	-	-	-	-	-	910
Total	-	-	33	-	-	910

_____ The Fund recorded no derivatives as of 31 December 2004. All derivatives in 2003 and 2002 were due within one year.

5.7. Accrued Expenses and Deferred Income

_____ Accrued expenses mainly relate to the unbilled custody fee of CZK 208 thousand related to December 2004 (2003: CZK 81 thousand, 2002: CZK 58 thousand).

5.8. Income from Shares and Holdings

	2004	2003	2002
Local dividends	11,537	10,239	2,281
Dividends abroad	24,803	5,013	6,115
Total received dividends	36,340	15,252	8,396

5.9. Interest Income and Expense

Income	2004	2003	2002
Interest on deposits at banks	2,488	1,436	691
Total	2,488	1,436	691

Expense	2004	2003	2002
Interest on overdraft account	-	-	2
Total	-	-	2

5.10. Fees and Commissions

	2004	2003	2002
Management fees	26,476	12,264	11,457
Custody fees	1,876	802	941
Commissions and fees from securities trading	1,475	1,132	1,600
Amounts paid to the Securities Center	212	109	44
Administration of securities	1,205	682	557
Other fees and commissions	256	221	208
Total	31,500	15,210	14,807

_____ In compliance with the Statute of the Fund, the management fee paid to the Company amounts to 1.80% of the average annual equity value of the Fund.

_____ Pursuant to the custody service contract entered into with Česká spořitelna, a. s., the Fund paid a fee equal to 0.12% of its average annual equity value until 30 April 2004. Starting from 1 May 2004, the fee equals 0.11% of the Fund's average annual equity value increased by the standard VAT rate.

5.11. Profit or Loss on Financial Operations

	2004	2003	2002
Profit (loss) from securities held for trading	155,130	32,829	-54,092
Profit (loss) from derivatives	3,656	-1,441	1,610
Profit (loss) from FX differences	-1,763	-1,901	-2,376
Total	157,023	29,487	-54,858

_____ Profit or loss from derivatives relates to the profit or loss arising from the settlement of fixed term transactions.

_____ Profit or loss from foreign exchange rate differences relates to the amount of realized foreign exchange rate differences on foreign currency accounts and from the settlement of foreign receivables and payables.

5.12. Administrative Expenses

Administrative expenses	2004	2003	2002
Audit	140	131	64
Total	140	131	64

5.13. Income Tax**Main Income Tax Components:**

	2004	2003	2002
Tax payable – current year	3,720	752	917
Tax payable – previous year	-	-	-
Total income tax	3,720	752	917

Current Income Tax – Analysis:

	31 December 2004
Profit/(loss) before tax	164,132
Items to add	4,932
Deductible items	36,452
Other – tax losses carried forward	132,612
Tax base	-
Tax on tax base	-
Dividends abroad	24,802
Tax on dividends abroad	3,720
Additional tax payments	-
Total tax	3,720

_____ The deferred tax asset of CZK 4,166 thousand arising from tax losses of previous years was not accounted for due to the uncertainty regarding its realization in the future.

5.14. Write-offs of Non Statute-Barred Receivables

	2004	2003	2002
Write-offs of non-statute barred receivables	6	20	-

_____ Receivables written off amounting to CZK 6,000 (2003: 20,000) are associated with outstanding tax payments on dividends abroad. Write-offs of non-statute barred receivables are included in 'Depreciation and creation of provisions against receivables' in the profit and loss account.

5.15. Related Party Transactions

_____ Related parties include Česká spořitelna, a. s. and the Company.

	2004	2003	2002
Payables from management fees – ISČS, a. s.	2,859	1,454	847
Custody fee for December 2004 not yet billed – ČS, a. s.	208	81	58
Other payables to related parties	10,206	307	1,112
Total	13,273	1,842	2,017

_____ The costs charged to the Fund by Česká spořitelna, a. s. in 2004 totaled CZK 4,811 thousand (2003: CZK 1,236 thousand, 2002: CZK 1,190 thousand), of which the greatest portion was represented by the custody fee of CZK 1,876 thousand (2003: CZK 802 thousand, 2002: CZK 942 thousand). The annual management fee charged by the Company amounted to CZK 26,476 thousand (2003: CZK 12,264 thousand, 2002: CZK 11,457 thousand).

_____ Other payables to ČS, a. s. primarily include the amount of CZK 9,064 thousand relating to the purchase of foreign shares at the end of 2004 with a settlement date in 2005.

5.16. Liquidity

_____ The following table shows residual maturity of assets broken down by major types.

	Less than 3 months	3 months– –1 year	1–5 years	Over 5 years	Not specified	Total
Receivables from banks	178,957	–	–	–	–	178,957
Shares and participation certificates	–	–	–	–	1,741,164	1,741,164
Other assets	969	–	–	–	–	969
Total assets	179,926	–	–	–	1,741,164	1,921,090

5.17. Off-balance Sheet Assets and Liabilities

_____ The item 'Assets provided into custody, administration and safekeeping' relates to local and foreign securities administered by Česká spořitelna, a. s.

5.18. Contingent Assets and Liabilities

_____ The Fund has no assets or liabilities that were not disclosed in the balance sheet or off-balance sheet records.

5.19. Compliance with Section 24 (1) to (5) of Act No. 248/1992 Coll.

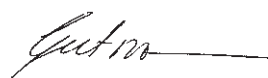
_____ As of 31 December 2004, the Fund did not breach the limit set under Section 24 (1) to (5) of Act no. 248/1992 Coll., as amended.

5.20. Subsequent Events

_____ On 28 January 2005, the Company filed a petition with the Securities Commission regarding the change of the Statute of the Fund resulting from its transformation to a standard fund complying with the requirements of European Community law and in connection with bringing the Statute in line with the Collective Investing Act no. 189/2004 Coll.



Petr Zapletal
Chairman of the Board of Directors
Investiční společnost České spořitelny, a. s.



Guntard Gutmann
Member of the Board of Directors
Investiční společnost České spořitelny, a. s.

Portfolio at 31 December 2004

ISIN	Name of the security	No.	Total market value	Total market accrued interest income
CZ0009093209	CESKY TELECOM, A. s.	132,300	369.20	48,845,160.00
CZ0005112300	CEZ, A. s.	63,000	340.70	21,464,100.00
CZ0008002854	INVESTICNI A POSTOVNI BANKA	55,000	0.00	0.00
CZ0008019106	KOMERCNI BANKA, A. s.	33,100	3,272.00	108,303,200.00
CZ0009091500	UNIPETROL, A. s.	121,155	98.20	11,897,421.00
Local shares				190,509,881.00
AT0000652011	ERSTE BANK (CZK)	34,524	1,187.00	40,979,988.00
NL0000405173	ZENTIVA BV	88,300	757.60	66,896,080.00
AT0000995006	BANK AUSTRIA CREDITANSTALT	26,038	2,025.92	52,750,970.06
AT0000743059	OMV AG	4,613	6,753.79	31,155,214.13
HU0000069448	ANTENNA HUNGARIA	2,900	477.17	1,383,790.10
HU0000072640	BORSOD CHEM	293,006	229.17	67,146,737.57
HU0000074067	DANUBIUS HOTELS	674	666.80	449,421.31
HU0000069232	DEMASZ	24,895	1,908.68	47,516,489.02
HU0000067707	FHB LAND CREDIT AND MORTG. BANK	39,840	1,598.83	63,697,227.84
HU0000067624	GEDEON RICHTER RT.	56,346	2,770.06	156,081,744.41
HU0000068952	MAGYAR OLAJ-ES GAZIPARI	116,961	1,575.28	184,246,019.98
HU0000073507	MATAV RT.	1,219,543	107.21	130,744,887.90
HU0000052857	NABI RT.	104,946	48.96	5,137,767.86
HU0000061726	OTP BANK	229,440	686.63	157,539,836.54
HU0000073457	RABA	313,309	84.28	26,405,431.87
PLAGORA00067	AGORA	30,700	423.67	13,006,705.84
PLPEKAO00016	BANK PEKAO	52,455	1,029.34	53,994,134.61
PLBZO0000044	BANK ZACHODNI WBK	7,528	723.52	5,446,681.14
PLCMLD00016	COMPUTERLAND	6,460	827.95	5,348,550.54
PLELTI00013	ELEKTRIM	70,000	47.36	3,315,525.50
PLGTC0000037	GLOBE TRADE CENTRE	27,600	790.65	21,822,050.40
PLKGHM000017	KGHM POLSKA MIEDZ SA	57,000	233.47	13,307,601.90
PLNETIA00014	NETIA	170,000	33.27	5,655,413.80
PLPKN0000018	POLSKI KONCERN NAFTOWY	164,721	281.95	46,443,118.89
PLPKO0000016	POWSZECHNA KASA OSZ. BANK POLSKI	92,229	207.36	19,124,623.89
PLPROKM00013	PROKOM SOFTWARE	15,987	1,096.47	17,529,313.85
PLSOFTB00016	SOFTBANK SA	16,000	208.11	3,329,697.60
PLTLKPL00017	TELEKOMUNIKACJA POLSKA	777,612	147.69	114,844,116.58
PLTVN0000017	TVN SA	65,000	292.39	19,005,532.00
PLWSIP000015	WYDAWNICTWA SZKOLNE I PEDAGOG.	276,205	73.10	20,190,088.33
US5597761098	MATAV RT. (ADR)	4,000	534.08	2,136,304.80
US6074091090	MOBILE TELESYSTEMS	7,500	3,064.01	22,980,037.50
USX607461166	OTP BANK (GDR)	29,000	1,364.27	39,563,685.00
US72917Q2021	PLIVA DD (GDR)	154,011	279.56	43,055,700.19
US9001112047	TURKCELL ILETISIM HIZMETLERI ADR	10,000	404.81	4,048,065.00
US68370R1095	VIMPELCOM	28,000	808.27	22,631,590.80
Foreign shares				1,528,910,144.75
US4642867729	ISHARES MSCI SOUTH KOREA INDEX	8,500	654.18	5,560,498.13
US4642867315	ISHARES MSCI TAIWAN INDEX	60,000	269.72	16,183,314.00
Foreign participation certificates				21,743,812.13
Total portfolio				1,741,163,837.88

Auditor's Report to the Shareholders of the Fund Investiční společnost České spořitelny, a. s., Eurotrend – otevřený podílový fond

Having its registered office at: Praha 1, Staré Město, Na Perštýně 342/1
Identification number: 44796188
Principal activities: open – ended mutual fund

We have audited the accompanying financial statements of the fund Investiční společnost České spořitelny, a. s., Eurotrend – otevřený podílový fond for the year ended 31 December 2004. These financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on the financial statements, taken as a whole, based on our audit.

We conducted our audit in accordance with the Act on Auditors and the auditing standards issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and conduct the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, the accounting records and other evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Company in the preparation of the financial statements, as well as evaluation of the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion on the financial statements.

In our opinion, the financial statements give a true and fair view, in all material respects, of the assets, liabilities, equity and financial position of Investiční společnost České spořitelny, a. s., Eurotrend – otevřený podílový fond as of 31 December 2004 and of the results of its operations for the year then ended in accordance with the Accounting Act and applicable Czech regulations.

In Prague on 14 March 2005



Audit firm:
Deloitte s. r. o.
Certificate no. 79
Represented by:
Michal Petrman, statutory executive



Statutory auditor:
Michal Petrman
Certificate no. 1105

Balance Sheet as at 31 December 2004

Assets (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Receivables from banks	01	3,936	15,453	7,637
of which: a/current accounts	02	3,936	15,453	7,637
b/term deposits	03			
c/repo transactions	04			
2 Receivables from non-banking entities	05			
of which: repo transactions	06			
3 Debt securities	07			
a/issued by the government	08			
b/issued by other entities	09			
4 Shares, unit certificates and other participation interests	10	418,131	239,627	117,387
5 Other assets	11	1,758	3,051	621
a/derivatives	12	185		
b/receivables from securities trading	13		2,424	
c/receivables from taxes	14		204	115
d/other assets	15	1,573	423	506
6 Deferred expenses and accrued income	16		61	
Total assets	17	423,825	258,192	125,645

Liabilities (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Payables to banks	18			
of which: repo transactions	19			
2 Payables to non-banking entities	20			
of which: repo transactions	21			
3 Other liabilities	22	1,388	12,492	364
a/derivatives	23			
b/liabilities from securities trading	24		11,888	
c/liabilities from taxes	25	415		
d/other liabilities	26	973	604	364
4 Deferred income and accrued expenses	27	46	11	10
5 Reserves	28			
of which: for taxes	29			
6 Share premium	30	-335,803	-145,548	-23,432
7 Other funds from profit	31			
8 Capital funds	32	801,363	449,131	271,697
9 Gains or losses from revaluation	33	-40,598	-35,445	-82,574
a/from assets and liabilities	34	-40,783	-35,445	-82,574
b/from hedging derivatives	35	185		
10 Retained earnings or accumulated losses from previous periods	36			
11 Profit or loss for the accounting period	37	-2,571	-22,449	-40,420
Total liabilities	38	423,825	258,192	125,645
of which: equity	39	422,391	245,689	125,271

Off Balance Sheet Accounts at 12/31/2004

Off balance sheet assets (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Amounts due from repo transactions	01			
2 Amounts due from fixed term transactions	02	30,656		
a/with interest rate instruments	03			
b/with currency instruments	04	30,656		
3 Receivables written off	05			
4 Assets provided into custody, administration and safekeeping	06	418,131	239,627	117,387
of which: securities	07	418,131	239,627	117,387
5 Received guarantees and collateral	08			
6 Amounts owed from fixed term transactions	09	30,656		
a/with interest rate instruments	10			
b/with currency instruments	11	30,656		

Profit and Loss Account for the Year Ended 12/31/2004

Item (in thousands CZK)	Line	Result in accounting period		
		Current	Previous 1	Previous 2
1 Interest income and similar income	01	344	168	134
of which: a/interest income from bonds	02			
b/interest from repo transactions	03			
2 Interest expenses and similar expenses	04		1	4
3 Income from shares and unit certificates	05	12,379	4,499	3,826
4 Commission and fee expenses	06	8,809	3,720	3,366
a/fees and commissions from securities trading	07	630	330	322
b/administrative fee	08	7,260	2,985	2,555
c/custody fee	09	514	186	208
d/other financial expenses	10	405	219	281
5 Profit or loss on financial operations	11	-4,437	-22,387	-40,392
of which: a/profit or loss on transactions with securities	12	-9,070	-22,162	-41,772
b/profit or loss on foreign exchange transactions and options	13	-631	-225	-183
c/profit or loss on fixed term transactions and options	14	5,264		1,563
6 Other operating income	15			
7 Other operating expenses	16			
8 Administrative expenses	17	131	124	60
a/audit	18	131	124	60
b/other administrative expenses	19			
9 Release of provisions against receivables and income from receivables written off	20	54	16	
10 Depreciation and creation of provisions against receivables	21	137	226	
11 Ordinary profit or loss for the accounting period before tax	22	-737	-21,775	-39,862
12 Extraordinary income	23			
13 Extraordinary expenses	24			
14 Extraordinary profit or loss for the accounting period before tax	25			
15 Income tax	26	1,834	674	558
16 Profit or loss for the accounting period after tax	27	-2,571	-22,449	-40,420

Statement of Changes in Equity for the Year Ended 12/31/2004

Assets (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Share premium	01			
opening balance	02	-145,548	-23,432	-20,609
issued unit certificates	03	-412,110	-289,383	-56,626
repurchase of unit certificates	04	221,855	167,267	53,803
other changes	05			
closing balance	06	-335,803	-145,548	-23,432
2 Retained earnings	07			
opening balance	08			
transfers to funds	09			
other changes	10			
closing balance	11			
3 Capital funds	12			
opening balance	13	449,131	271,697	305,007
issued unit certificates	14	798,969	512,884	109,859
repurchase of unit certificates	15	-424,287	-295,030	-116,477
transfers to funds	16	-22,450	-40,420	-26,692
other changes	17			
closing balance	18	801,363	449,131	271,697
4 Gains or losses from revaluation	19			
opening balance	20	-35,445	-82,574	-62,561
foreign exchange rate differences and gains or losses from revaluation	21	-5,153	47,129	-20,013
closing balance	22	-40,598	-35,445	-82,574
5 Retained earnings or accumulated losses from previous periods	23			
opening balance	24			
other changes	25			
closing balance	26			
6 Profit (loss) for the current period after taxes	27			
opening balance	28	-22,449	-40,420	-26,692
profit (loss)	29	-2,571	-22,449	-40,420
transfers to funds, dividends	30	22,449	40,420	26,692
closing balance	31	-2,571	-22,449	-40,420
7 Total	32	422,391	245,689	125,271

Notes to the Financial Statements for the Year Ended 31 December 2004

1. Background Information and Principle Operations

Incorporation and Description of the Fund

Investiční společnost České spořitelny, a. s., Eurotrend – otevřený podílový fond (hereinafter the “Fund”) is an accounting unit without legal entity status, incorporated by Investiční společnost České spořitelny, a. s. (hereinafter the “Company”) as an open-ended mutual fund under the Investment Companies and Funds Act no. 248/1992 Coll., based upon the Resolution of the Securities Commission dated 19 July 2000. The Fund began its operations on 1 September 2000.

Pursuant to a concluded contract, Česká spořitelna, a. s. acts as the depository of the Fund.

As of 1 May 2004, the Collective Investing Act No. 189/2004 (hereinafter the “Act”) took legal effect. Section 140 of this Act invalidates the Investment Companies and Funds Act No. 248/1992 Coll. Pursuant to the provisions of Section 136 (4) and (8) and Section 84 (14) of the Act, the current Statute of the Fund remains in force during the transition period until the new Statute becomes effective (no later than 30 April 2005); this also applies to the references to the provisions of the Act no. 248/1992 Coll. made in the Statute and the related legal regulations.

The Fund is managed by the Company. In accordance with the Act, the Company is responsible for the management of the assets of the Fund, which involves the administration and care of the assets.

Registered Office

Investiční společnost České spořitelny, a. s.
Eurotrend - otevřený podílový fond
Praha 1, Staré Město, Na Perštýně 342/1

Principal Operations

The Fund collects finance of individuals and corporate entities by issuing participation certificates with the purpose of their collective investment on local and foreign money and capital markets. No restrictions are placed on the number of participation certificates for issue and their selling period.

Investment Policy

The objective of the Fund is to achieve long-term appreciation by investing in shares of European companies. Given the possible unexpected fluctuations on financial markets, the Company provides no guarantees as to the fulfillment of this objective.

Finances collected by the Fund are invested in shares and other securities permitted by the Act.

The allocation by region and sector as well as the selection of individual stocks is managed with the aim to exceed the yield on index investments.

The Fund's portfolio is also expanded by purchasing participation certificates of open-ended mutual funds and securities of foreign entities engaged in collective investing if their objectives and investment policy are not in conflict with the objectives of the Fund.

The Fund may use financial derivatives to hedge against foreign currency exposures and against the risks associated with the unfavorable development of prices on stock markets.

2. Basis of Preparation of the Financial Statements

The financial statements have been prepared on the basis of underlying accounting records maintained in accordance with the Accounting Act 563/1991 Coll., and applicable regulations, decrees and internal standards in compliance with and in the scope defined in the Czech Finance Ministry Regulation no. 501/2001 of 6 November 2002, as subsequently amended, which sets out the overall framework for the presentation of the financial statements, and guidelines for the structure and minimum requirements for the content of the financial statements of banks and certain financial institutions, and Czech Accounting Standards, which establish the accounting principles and policies for financial institutions.

The information disclosed for the two immediately preceding accounting periods is reported in line with the requirements of the year to which the financial statements relate.

The Fund is obliged to comply with the regulatory requirements of the Act.

The accounting records are maintained in compliance with general accounting principles, specifically the accruals principle, the prudence concept and the going concern assumption.

The financial statements contain the balance sheet, profit and loss account, off balance sheet records, statement of changes in equity, and notes to the financial statements.

The preparation of the financial statements requires that the Fund make estimates which have an impact on the reported amounts of assets and liabilities as well as expenses and income in the relevant accounting period. These estimates are based on information available as of the date of the financial statements and may differ from the actual results.

These financial statements are unconsolidated.

All figures are stated in thousands of Czech crowns (CZK), unless indicated otherwise.

3. Accounting Methods Applied

Transaction Date

Purchases and sales of securities are recognized upon conclusion of the related contract (the trade date) provided that the period

between the trade date and the fulfillment of the commitment arising from the contract does not exceed a period typical for the relevant type of transaction.

_____ The transaction date for derivative contracts is:

- a) the date upon which the related contract was entered into;
- b) the date when the fair value of the derivative changed; and
- c) the date when performance was effected based on the relevant contract.

_____ The transaction date can also be the date when a receivable or payable arises, changes or ceases to exist, and when other matters to be included in the accounting records occur.

Securities

_____ In accordance with the Fund's strategy, all securities are classified as 'held for trading'. During the accounting period, securities are re-measured to fair value on a daily basis pursuant to Finance Ministry Regulation No. 207/2004 Coll., on determination of fair value of the assets and liabilities of a collective investment fund and the determination of current value of shares of participation certificates of a collective investment fund (henceforth the "Regulation"). The differences between the acquisition cost of securities and the cost determined under the above Regulation are recorded to the balance sheet account 'Gains or losses from revaluation.' Pursuant to the Regulation, securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the rules set out in the Regulation. If the value is not determinable on this basis, the Fund uses a value determined by the Company with due care and diligence, i.e. the values are determined using valuation models based on discounted future cash flows according to the rate of return calculated with reference to the Reuters and Condor+ systems.

_____ Securities are initially measured at cost. The acquisition cost includes direct transaction costs related to the acquisition of securities. Securities acquired prior to this date were initially valued at purchase cost.

_____ Upon the sale of securities, the difference between the selling price and the cost of the sold securities determined using the weighted arithmetic average is recorded to income and expense accounts. Realized capital gains and losses are charged through the profit and loss account component 'Profit or loss from financial transactions'.

Other Receivables

_____ The Fund records receivables arising from its transactions with securities, receivables from positive fair values of derivatives and other operating receivables.

_____ According to the principle of prudence, outstanding receivables associated with dividends are provisioned in full after two years following the recognition of the claim. Further, such provisions are created against other bad debts.

Loans and Borrowings

_____ The Fund may accept loans under the conditions defined in the Act to cover a temporary lack of finances.

Financial Derivatives and Hedging Transactions

_____ In the normal course of business, the Fund enters into hedging contracts with financial derivatives to hedge against interest rate and foreign currency exposures associated with its transactions on financial markets.

_____ The Fund designates certain derivatives as hedges provided that the following criteria are met:

- > the Fund has developed a risk management strategy;
- > at the inception of the hedge, the hedging relationship is formally documented, the documentation identifies the hedged item and the hedging instrument, defines the risk that is being hedged and the approach to establishing whether the hedge is effective; and
- > the hedge is effective, that is, changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80 percent to 125 percent.

_____ Nominal values of derivative financial instruments are initially recognized in the off-balance sheet accounts. Changes in the fair value of derivatives that are designated and qualify as hedges (see above) are recorded in the balance sheet account 'Gains or losses from revaluation', which is included in equity. All financial derivatives are recorded as assets when fair value is positive and as liabilities when fair value is negative. Fair values are based on the valuation models.

_____ The balances recognized in the balance sheet are transferred to the profit and loss account and classified as income and expenses in the period in which the hedged asset or liability impacts the profit and loss account.

_____ Certain derivatives are embedded in compound financial instruments, which comprise the host instrument and the derivative. Pursuant to the applicable regulations, the Fund recognizes changes in assets and liabilities arising from the movements in rates or prices of securities or changes in exchange rates through 'Gains or losses from revaluation'. Given that the assets of the Fund are valued at fair value, embedded derivatives were not accounted for separately in 2004.

Income Tax

_____ Under effective tax regulations, the corporate income tax rate applicable to mutual funds is 5 percent.

_____ The accounting treatment of gains and losses from revaluation was changed starting from 1 January 2005. Securities are revalued through income and expense accounts. The balances of gains or losses from revaluation as of 31 December 2004 are transferred to accumulated profits or losses brought forward. Therefore, the deferred tax from gains or losses from revaluation was not computed as of 31 December 2004.

_____ The deferred tax asset arising from tax losses of previous years is not accounted for due to the uncertainty regarding its realization in the future.

Foreign Currency Translations

_____ Foreign currencies are translated using the exchange rate promulgated by the Czech National Bank as of the relevant date. As of the balance sheet date, assets and liabilities denominated in foreign currencies are translated on the same basis.

_____ Foreign exchange rate gains and losses from the daily translation of assets and liabilities in foreign currencies are posted to equity.

Shareholders' Equity

_____ The selling price of participation certificates is calculated as a proportion of the Fund's equity and the relevant number of participation certificates. Participation certificates are sold to investors using the selling price determined on a daily basis.

Share Premium

_____ Share premium used to be recorded as a component of capital funds. Starting from 2003, it is disclosed separately. Comparative information for previous periods was appropriately adjusted (refer to the 'Statement of changes in equity').

Interest Income and Expense

_____ Accrued interest relating to assets and liabilities is included in the total balance of such assets and liabilities.

Adjustments Related to Prior Periods

_____ Adjustments to the previous years' income and expenses are recorded as income or expenses in the current year's profit and loss account.

4. Risk Management

Credit Risk

_____ In accordance with the Statute and the investment strategy, the Company establishes rules and policies for selecting investment instruments such that the overall credit risk profile of allocated investments is consistent with the characteristics of the Fund. New types of instruments are approved on a case by case basis by the risk management function together with the specification of limits for positions pertaining to these instruments. Specific emphasis is placed on an appropriate rating structure and diversification of portfolios (especially in relation to credit portfolios and their interest components).

Market Risk

_____ The Fund uses a wide range of tools to eliminate risk exposures attached to its portfolios. Major attention is paid to market risks. Apart from statutory restrictions, the Fund is subject to a set of internal limits having a direct impact on the forex exposure, interest rate exposure (the modified duration range of the Fund), share allocation on individual markets according to their volatility, portfolio rating structure (see above), and other characteristics of the Fund. The relevant limits are appropriately applied to correspond with the type of Fund.

_____ Whenever the Fund purchases new types of instruments, these instruments are first analyzed to assess the potential credit risk (see above), as well as the market risk that the instruments might bring to or help eliminate from the portfolio. Subsequently, their appropriateness and, if appropriate, the acceptable proportion of these instruments in the portfolio is evaluated.

_____ The Fund monitors Value at Risk globally and also broken down to Foreign Exchange VaR, Interest Rate VaR and Equity VaR. Based on the above values, the Fund identifies critical risk segments. This identification influences the re-investment process. The limits set up the maximum acceptable VaR for the Fund.

_____ Relative values of VaR in percentage for individual types of risks:

	31 December 2004	Average in 2004
Global VaR	6.91%	8.41%
Foreign Exchange VaR	2.43%	2.69%
Equity VaR	6.51%	7.84%

_____ Relative risk exposure is calculated as a proportion of VaR (risk exposure in absolute terms) and the portfolio's market value. Relative VaR as of 31 December is determined with a 95% confidence level for 30 days. The 95% confidence level also applies to the average daily relative VaR determined for 30 days.

_____ Adherence to all the above limits and their effectiveness is monitored and assessed on an ongoing basis. The limits are reviewed, if necessary.

_____ The portfolio's risk of unfavorable development of foreign exchange rates and other market factors is hedged, to an appropriate extent, by financial derivatives. Financial derivatives are purchased or sold on the OTC market as this market enables the trading of contracts whose parameters and nature appropriately satisfy the requirements of a hedge. Portfolios primarily include currency swaps and currency forwards. Derivative positions are therefore opened exclusively for the purpose of hedging, as described above.

Liquidity Risk

_____ Liquidity risk is a risk that the Fund will not have enough disposable resources to meet its obligations arising from financial contracts. Liquidity is monitored and managed based on expected cash flows, with

appropriate adjustments made to the structure of securities and term placements portfolios.

_____ Pursuant to the Act, the Company is obliged to purchase a participation certificate without undue delay but not later than one month

from the date when the repurchase right is claimed. Given that the Fund holds securities traded at foreign stock exchanges which can be realized within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

5. Additional Information on the Financial Statements

5.1. Receivables from Banks

Receivables from banks	31 Dec 2004	31 Dec 2003	31 Dec 2002
Current accounts	3,936	15,453	7,637

_____ Current account balances are repayable on demand.

5.2. Securities

_____ Individual types of securities by issuer, number of securities, and their market value are disclosed in the Portfolio attached to these Notes. All securities held by the Fund are publicly tradable on foreign markets.

Shares, participation certificates and other holdings	2004	2003	2002
Acquisition cost	458,867	275,123	200,011
Market revaluation	-40,736	-35,496	-82,624
Total	418,131	239,627	117,387

5.3. Other Assets

Other assets	31 Dec 2004	31 Dec 2003	31 Dec 2002
Receivables from securities trading	-	2,424	-
Tax receivable	-	204	115
Positive fair values of derivatives	185	-	-
Other receivables	1,573	423	506
Total	1,758	3,051	621

_____ Other receivables primarily relate to dividends against which the Fund created a provision of CZK 257 thousand in 2004.

_____ Receivables from securities trading in 2003 arose in connection with the sale of foreign shares at the end of 2003 with a settlement date in January 2004. No receivables from securities trading were recorded in 2004.

5.4. Equity

_____ In accordance with the accounting policies, the Fund has no share capital. The nominal value of a participation certificate is CZK 1. The total nominal value of all participation certificates is posted to 'Capital funds'.

_____ Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded independently. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase.

_____ The selling price of a participation certificate is determined as a proportion of the Fund's equity and the number of participation certificates issued.

_____ The carrying value of a participation certificate as of 31 December 2004 was CZK 0.4729.

_____ The losses incurred in 2002 (CZK 40,420 thousand) and 2003 (CZK 22,449 thousand) were recorded to 'Capital funds' in line with the Statute of the Fund.

_____ The loss of CZK 2,571 thousand incurred in 2004 will also be transferred to 'Capital funds' in accordance with the Statute.

Changes in the Capital Fund

	Number of participa- tion certificates	Nominal value of par- ticipation certificates	Drawing from the fund to cover losses	Total capital funds
Balance at 31 Dec 2002	300,638,549	300,639	-28,942	271,697
Participation certificates sold	512,884,110	512,884	-	512,884
Participation certificates purchased	-295,030,220	-295,030	-	-295,030
Covered loss	-	-	-40,420	-40,420
Balance at 31 Dec 2003	518,492,439	518,493	-69,362	449,131
Participation certificates sold	798,969,337	798,969	-	798,969
Participation certificates purchased	-424,287,071	-424,287	-	-424,287
Covered loss	-	-	-22,450	-22,450
Balance at 31 Dec 2004	893,174,705	893,175	-91,812	801,363

Gains and Losses from Revaluation

	From assets and liabilities	From hedging derivatives	Total gains and losses from revaluation
Balance at 31 Dec 2002	-82,574	-	-82,574
Balance at 31 Dec 2003	-35,445	-	-35,445
Balance at 31 Dec 2004	-40,783	185	-40,598

5.5. Other Liabilities

Other liabilities	31 Dec 2004	31 Dec 2003	31 Dec 2002
Payables from management fees	-	369	188
Payables from securities trading	-	11,888	-
Payables from shareholders' placements	-	31	3
Tax liability	415	-	-
Other payables	973	204	173
Total	1,388	12,492	364

_____ Payables from securities trading arose at the end of 2003 in connection with the purchase of foreign shares with a settlement date in January 2004.

5.6. Accrued Expenses and Deferred Income

_____ Accrued expenses mainly relate to the unbilled custody fee of CZK 46 thousand related to December 2004 (2003: CZK 11 thousand; 2002: CZK 10 thousand).

5.7. Financial Derivatives Posted as Hedging Derivatives

	Nominal value		Nominal value		Nominal value	
	2004 assets	2004 liabilities	2003 assets	2003 liabilities	2002 assets	2002 liabilities
Currency instruments						
Currency swaps	30,656	30,656	-	-	-	-
Total	30,656	30,656	-	-	-	-

	2004 positive	Fair value 2004 negative	2003 positive	Fair value 2003 negative	2002 positive	Fair value 2002 negative
Currency instruments						
Currency swaps	185	-	-	-	-	-
Total	185	-	-	-	-	-

_____ All derivatives are due within one year.

5.8. Income from Shares and Holdings

	2004	2003	2002
Dividends abroad	12,228	4,495	3,743
Other income	151	4	83
Total received dividends	12,379	4,499	3,826

5.9. Interest Income and Expense

Income	2004	2003	2002
Interest on deposits at banks	344	168	134
Total	344	168	134
Expense	2004	2003	2002
Interest on overdraft account	-	1	4
Total	-	1	4

5.10. Fees and Commissions

	2004	2003	2002
Management fees	7,260	2,985	2,555
Custody fees	514	186	208
Commissions and fees from securities trading	630	330	322
Amounts paid to the Securities Center	97	55	22
Administration of securities	228	94	210
Other fees and commissions	80	70	49
Total	8,809	3,720	3,366

_____ In compliance with the Statute of the Fund, the management fee paid to the Company amounts to 1.80% of the average annual equity value of the Fund.

_____ Pursuant to the custody service contract entered into with Česká spořitelna, a. s., the Fund paid a fee equal to 0.12% of its average annual equity value until 30 April 2004. Starting from 1 May 2004, the fee equals 0.11% of the Fund's average annual equity value increased by the standard VAT rate.

5.11. Profit or Loss from Financial Operations

	2004	2003	2002
Profit (loss) from securities held for trading	-9,070	-22,162	-41,772
Profit (loss) from derivatives	5,264	-	1,563
Profit (loss) from FX differences	-631	-225	-183
Total	-4,437	-22,387	-40,392

_____ Profit or loss from derivatives relates to the profit or loss arising from the settlement of fixed term transactions.

_____ Profit or loss from foreign exchange rate differences relates to the amount of realized foreign exchange rate differences on foreign currency accounts and from the settlement of foreign receivables and payables.

5.12. Administrative Expenses

Administrative expenses	2004	2003	2002
Audit	131	124	60
Other expenses	-	-	-
Total	131	124	60

5.13. Income Tax

Main Income Tax Components:

	2004	2003	2002
Tax payable – current year	1,794	659	550
Tax payable – previous year	40	15	8
Total income tax	1,834	674	558

Current Income Tax – Analysis:

	31 Dec 2004
Profit/(loss) before tax	-737
Items to add	3,232
Deductible items	12,233
Tax base	-9,738
Tax (5%) on tax base	0
Dividends abroad	11,963
Tax on dividends abroad	1,794
Additional tax payments	40
Total tax	1,834

_____ The tax liability on dividends abroad is associated with the dividends declared in 2004.

_____ The deferred tax asset of CZK 4,268 thousand arising from tax losses of previous years was not accounted for due to the uncertainty regarding its realization in the future.

5.14. Write-offs of Non Statute-Barred Receivables

_____ In 2003, the Fund wrote off receivables relating to outstanding tax payments on dividends abroad of CZK 10,000 based on the approval of the Board of Directors of the Company. Write-offs of non-statute barred receivables are included in 'Write-offs and creation of provisions against receivables' in the profit and loss account.

5.15. Related Party Transactions

_____ Related parties include Česká spořitelna, a. s. and the Company.

	2004	2003	2002
Payables from management fees – ISČS, a. s.	633	368	188
Custody fee for December 2004 not yet billed – ČS, a. s.	46	11	10
Other payables to related parties	155	12,011	94
Total	809	12,390	292

Other payables for 2003 comprise, among others, the amount of CZK 11,888 thousand for the purchase of securities to be paid to Česká spořitelna, a. s.

The costs charged to the Fund by Česká spořitelna, a. s. in 2004 totaled CZK 1,451 thousand (2003: CZK 507 thousand, 2002: CZK 260 thousand), of which the greatest portion was represented by commissions for trading of CZK 630 thousand and the custody fee of CZK 514 thousand (2003: CZK 186 thousand, 2002: CZK 208 thousand). The annual management fee charged by the Company amounted to CZK 7,260 thousand (2003: CZK 2,985 thousand, 2002: 2,555 thousand).

5.16. Liquidity

The following table shows residual maturity of assets broken down by major types. Given that all securities are traded on public markets, sales can be effected within three months.

	Less than 3 months	3 months– –1 year	1–5 years	Over 5 years	Not specified	Total
Receivables from banks	3,936	–	–	–	–	3,936
Shares and participation certificates	–	–	–	–	418,131	418,131
Other assets	1,573	–	–	–	185	1,758
Total assets	5,509	–	–	–	418,316	423,825

5.17. Off-balance Sheet Assets and Liabilities

The item ‘Assets provided into custody, administration, and safekeeping’ relates to local and foreign securities administered by ČS, a. s. The administration function was transferred from Erste Bank AG to Česká spořitelna, a. s. during 2003.

5.18. Contingent Assets and Liabilities

The Fund has no assets or liabilities that were not disclosed in the balance sheet or off-balance sheet records as of 31 December 2004.

5.19. Compliance with Section 24 (1) to (5) of Act No. 248/1992 Coll.

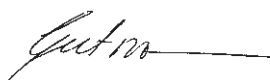
As of 31 December 2004, the Fund did not breach the limit set under Section 24 (1) to (5) of Act No. 248/1992 Coll., as amended.

5.20. Subsequent Events

On 28 January 2005, the Company filed a petition with the Securities Commission regarding the change of the Statute of the Fund resulting from its transformation to a standard fund complying with the requirements of European Community law and in connection with bringing the Statute in line with the Collective Investing Act no. 189/2004 Coll.



Petr Zapletal
Chairman of the Board of Directors
Investiční společnost České spořitelny, a. s.



Guntard Gutmann
member of the Board of Directors
Investiční společnost České spořitelny, a. s.

Portfolio at 31 December 2004

ISIN	Name of the security	No.	Total market value	Total market accrued interest income
CH0012997711	CONVERIUM HOLDING AG	6,000	200.41	1,202,470.50
CH0012138530	CREDIT SUISSE GROUP-REG	6,262	943.81	5,910,144.48
CH0012056047	NESTLE SA	800	5,874.14	4,699,310.00
CH0012005267	NOVARTIS AG	15,620	1,131.39	17,672,288.37
CH0012032048	ROCHE HOLDING (GENNUS) PTG NPV	3,890	2,584.62	10,054,173.75
CH0012332372	SWISS REINSURANCE/SCHW.RUECKVERS	2,830	1,601.32	4,531,734.19
CH0012032030	UBS AG-REG	5,930	1,882.69	11,164,326.50
CH0011075394	ZURICH FINANCIAL SERVICES	810	3,743.65	3,032,358.12
NL0000301109	ABN-AMRO HOLDING NV	5,580	593.76	3,313,196.70
DE0008404005	ALLIANZ AG-REG	2,794	2,973.38	8,307,634.90
LU0140205948	ARCELOR	3,600	516.99	1,861,167.78
FR0000120628	AXA SA	11,870	553.85	6,574,243.42
ES0113900J37	BANCO SANTANDER CENTRAL HISPANO	34,100	278.15	9,484,759.85
DE0005151005	BASF AG	4,200	1,614.65	6,781,509.00
DE0005190003	BAYERISCHE MOTOREN WERKE AG	4,400	1,011.44	4,450,327.20
FR0000131104	BNP PARIBAS	5,400	1,623.78	8,768,436.30
FR0000120172	CARREFOUR	3,370	1,067.49	3,597,453.43
FR0000045072	CREDIT AGRICOLE S.A.	7,500	676.32	5,072,422.50
DE0007100000	DAIMLER CHRYSLER AG	4,400	1,074.20	4,726,461.96
DE0005140008	DEUTSCHE BANK AG NPV	1,600	1,989.97	3,183,958.08
DE0005552004	DEUTSCHE POST	8,500	514.86	4,376,297.25
DE0005557508	DEUTSCHE TELECOM NPV	17,745	507.24	9,001,013.73
DE0007614406	E.ON AG	2,900	2,042.98	5,924,650.41
IT0003132476	ENTE NAZIONALE INDROCARBURI	12,800	561.17	7,182,915.84
SE0000108656GR	ERICSSON GR	78,000	71.59	5,584,234.50
FR0000133308	FRANCE TELECOM	4,600	742.13	3,413,786.04
IT0000062072	GENERALI ASSICURAZIONI	3,000	760.71	2,282,133.15
NL0000303600	ING GROEP N.V.	12,470	678.15	8,456,541.72
NL0000009538	KONINKLIJKE PHILIPS ELECTRONICS	10,790	594.37	6,413,275.50
FR0000120537	LAFARGE SA	1,850	2,163.02	4,001,577.75
FR0000121014	LUIS VUITTON MOET HENNESSY	920	1,716.70	1,579,366.53
FI0009000681	NOKIA OYJ	27,836	354.00	9,854,035.86
GRS434003000	PUBLIC POWER CORPORATION	5,700	627.58	3,577,200.30
NL0000009470	ROYAL DUTCH PETROLEUM COMPANY	4,740	1,290.19	6,115,513.64
FR0000120578	SANOFI-SYNTHELABO SA	1,150	1,791.34	2,060,043.30
DE0007164600	SAP AG ORDINARY	1,080	4,003.10	4,323,349.08
DE0007236101	SIEMENS AG	4,700	1,900.41	8,931,911.49
FR0000130809	SOCIETE GENERALE	3,270	2,268.12	7,416,749.95
IT0003497168	TELECOM ITALIA SPA	72,700	91.70	6,666,564.56
ES0178430E18	TELEFONICA DE ESPANA	28,310	422.24	11,953,753.12
FR0000120271	TOTAL COMPANY	4,360	4,895.73	21,345,363.18
NL0000009348	UNILEVER NV-CVA (CERTIFIKAT)	2,740	1,502.84	4,117,777.35
FR0000130338	VALEO SA	3,200	938.32	3,002,630.40
GB0009895292	ASTRAZENECA PLC	9,350	816.35	7,632,874.74
GB0031348658	BARCLAYS BANK PLC	33,700	253.25	8,534,382.11
GB0007980591	BP PLC	100,600	219.54	22,085,450.37

ISIN	Name of the security	No.	Total market value	Total market accrued interest income
GB0002374006	DIAGEO PLC	10,800	321.09	3,467,824.70
GB0009252882	GLAXOSMITHKLINE PLC	38,512	528.10	20,338,168.71
GB0030587504	HBOS PLC	21,400	366.47	7,842,493.95
GB0005405286	HSBC HOLDINGS PLC	47,850	379.87	18,176,714.42
GB0008706128	LLOYDS TSB GROUP PLC	24,550	204.41	5,018,306.74
GB0007547838	ROYAL BANK OF SCOTLAND GROUP PLC	18,300	757.14	13,855,741.06
GB0008034141	SHELL TRANSPORT AND TRADING PLC	31,700	191.88	6,082,565.57
GB0008847096	TESCO PLC	48,000	139.05	6,674,279.04
GB0030224215	UNITED BUSINESS MEDIA PLC	9,000	207.44	1,866,931.20
GB0007192106	VODAFONE GROUP PLC	402,769	61.04	24,586,066.96
Foreign shares				418,130,861.25
Total portfolio				418,130,861.25

Auditor's Report to the Shareholders of the Fund Investiční společnost České spořitelny, a. s., Globaltrend FF – otevřený podílový fond z fondů

Having its registered office at: Praha 1, Staré Město, Na Perštýně 342/1
Identification number: 44796188
Principal activities: open – ended mutual fund

We have audited the accompanying financial statements of the fund Investiční společnost České spořitelny, a. s., Globaltrend FF – otevřený podílový fond z fondů for the year ended 31 December 2004. These financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on the financial statements, taken as a whole, based on our audit.

We conducted our audit in accordance with the Act on Auditors and the auditing standards issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and conduct the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, the accounting records and other evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Company in the preparation of the financial statements, as well as evaluation of the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion on the financial statements.

In our opinion, the financial statements give a true and fair view, in all material respects, of the assets, liabilities, equity and financial position of Investiční společnost České spořitelny, a. s., Globaltrend FF – otevřený podílový fond z fondů as of 31 December 2004 and of the results of its operations for the year then ended in accordance with the Accounting Act and applicable Czech regulations.

In Prague on 14 March 2005



Audit firm:
Deloitte s. r. o.
Certificate no. 79
Represented by:
Michal Petrman, statutory executive



Statutory auditor:
Michal Petrman
Certificate no. 1105

Balance Sheet as at 31 December 2004

Assets (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Receivables from banks	01	12,768	1,000	16,416
of which: a/current accounts	02	12,768	1,000	16,416
b/term deposits	03			
c/repo transactions	04			
2 Receivables from non-banking entities	05			
of which: repo transactions	06			
3 Debt securities	07			
a/issued by the government	08			
b/issued by other entities	09			
4 Shares, unit certificates and other participation interests	10	186,350	142,642	74,295
5 Other assets	11	187		25
a/derivatives	12	184		
b/receivables from securities trading	13			
c/receivables from taxes	14			25
d/other assets	15	3		
6 Deferred expenses and accrued income	16		61	
Total assets	17	199,305	143,703	90,736

Liabilities (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Payables to banks	18			
of which: repo transactions	19			
2 Payables to non-banking entities	20			
of which: repo transactions	21			
3 Other liabilities	22	1,691	434	15,246
a/derivatives	23			
b/liabilities from securities trading	24			
c/liabilities from taxes	25	93	35	
d/other liabilities	26	1,598	399	15,246
4 Deferred income and accrued expenses	27	22	6	4
5 Reserves	28			
of which: for taxes	29			
6 Share premium	30	-160,524	-95,024	-14,379
7 Other funds from profit	31			
8 Capital funds	32	360,210	253,477	156,571
9 Gains or losses from revaluation	33	-8,970	-2,247	-24,465
a/from assets and liabilities	34	-9,154	-2,247	-24,465
b/from hedging derivatives	35	184		
10 Retained earnings or accumulated losses from previous periods	36			
11 Profit or loss for the accounting period	37	6,876	-12,943	-42,241
Total liabilities	38	199,305	143,703	90,736
of which: equity	39	197,592	143,263	75,486

Off Balance Sheet Accounts at 12/31/2004

Off balance sheet assets (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Amounts due from repo transactions	01			
2 Amounts due from fixed term transactions	02	15,418		
a/with interest rate instruments	03			
b/with currency instruments	04	15,418		
3 Receivables written off	05			
4 Assets provided into custody, administration and safekeeping	06	186,350	142,642	74,295
of which: securities	07	186,350	142,642	74,295
5 Received guarantees and collateral	08			
6 Amounts owed from fixed term transactions	09	15,418		
a/with interest rate instruments	10			
b/with currency instruments	11	15,418		

Profit and Loss Account for the Year Ended 12/31/2004

Item (in thousands CZK)	Line	Result in accounting period		
		Current	Previous 1	Previous 2
1 Interest income and similar income	01	140	93	53
of which: a/interest income from bonds	02			
b/interest from repo transactions	03			
2 Interest expenses and similar expenses	04	1	2	9
3 Income from shares and unit certificates	05	621	335	67
4 Commission and fee expenses	06	3,482	2,015	2,030
a/fees and commissions from securities trading	07	13	64	255
b/administrative fee	08	2,834	1,631	1,428
c/custody fee	09	226	114	129
d/other financial expenses	10	409	206	218
5 Profit or loss on financial operations	11	9,821	-11,179	-40,253
of which: a/profit or loss on transactions with securities	12	8,090	-11,077	-40,077
b/profit or loss on foreign exchange transactions and options	13	-1,178	-102	-176
c/profit or loss on fixed term transactions and options	14	2,909		
6 Other operating income	15			
7 Other operating expenses	16			
8 Administrative expenses	17	130	124	59
a/audit	18	130	124	59
b/other administrative expenses	19			
9 Release of provisions against receivables and income from receivables written off	20			
10 Depreciation and creation of provisions against receivables	21			
11 Ordinary profit or loss for the accounting period before tax	22	6,969	-12,892	-42,231
12 Extraordinary income	23			
13 Extraordinary expenses	24			
14 Extraordinary profit or loss for the accounting period before tax	25			
15 Income tax	26	93	51	10
16 Profit or loss for the accounting period after tax	27	6,876	-12,943	-42,241

Statement of Changes in Equity for the Year Ended 12/31/2004

Assets (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Share premium	01			
opening balance	02	-95,024	-14,379	-11,651
issued unit certificates	03	-182,404	-155,161	-26,979
repurchase of unit certificates	04	116,904	74,516	24,251
other changes	05			
closing balance	06	-160,524	-95,024	-14,379
2 Retained earnings	07			
opening balance	08			
transfers to funds	09			
other changes	10			
closing balance	11			
3 Capital funds	12			
opening balance	13	253,477	156,571	186,989
issued unit certificates	14	333,323	266,423	53,507
repurchase of unit certificates	15	-213,647	-127,276	-52,806
transfers to funds	16	-12,943	-42,241	-31,119
other changes	17			
closing balance	18	360,210	253,477	156,571
4 Gains or losses from revaluation	19			
opening balance	20	-2,247	-24,465	-23,748
foreign exchange rate differences and gains or losses from revaluation not included in profit (loss)	21	-6,723	22,218	-717
closing balance	22	-8,970	-2,247	-24,465
5 Retained earnings or accumulated losses from previous periods	23			
opening balance	24			
other changes	25			
closing balance	26			
6 Profit (loss) for the current period after taxes	27			
opening balance	28	-12,943	-42,241	-31,119
profit (loss)	29	6,876	-12,943	-42,241
transfers to funds, dividends	30	12,943	42,241	31,119
closing balance	31	6,876	-12,943	-42,241
7 Total	32	197,592	143,263	75,486

Notes to the Financial Statements for the Year Ended 31 December 2004

1. Background Information and Principle Operations

Incorporation and Description of the Fund

Investiční společnost České spořitelny, a.s., Globaltrend FF – otevřený podílový fond z fondů (hereinafter the “Fund”) is an accounting unit without legal entity status, incorporated by Investiční společnost České spořitelny, a.s. (hereinafter the “Company”) as an open-ended mutual fund under the Act no. 248/1992 Coll., based upon the Resolution of the Securities Commission dated 19 July 2000. The Fund began its operations on 1 September 2000.

Pursuant to a concluded contract, Česká spořitelna, a.s. acts as the depository of the Fund.

The Fund is managed by the Company. In accordance with the Collective Investing Act no. 189/2004, the Company is responsible for the management of the assets of the Fund, which involves the administration and care of the assets.

As of 1 May 2004, the Collective Investing Act no. 189/2004 (hereinafter the “Act”) took legal effect. Section 140 of this Act invalidates the Investment Companies and Funds Act no. 248/1992 Coll. Pursuant to the provisions of Section 136 (4) and (8) and Section 84 (14) of the Act, the current Statute of the Fund remains in force during the transition period until the new Statute becomes effective (no later than 30 April 2005); this also applies to the references to the provisions of the Act no. 248/1992 Coll. made in the Statute and the related legal regulations.

Registered Office

Investiční společnost České spořitelny, a.s.,
Globaltrend FF – otevřený podílový fond z fondů
Praha 1, Staré Město, Na Perštýně 342/1

Principal Operations

The Company collects finance of individuals and corporate entities for the Fund by issuing participation certificates with the purpose of their collective investment on local and foreign money and capital markets. No restrictions are placed on the number of participation certificates for issue and their selling period.

The Fund conducts its operations solely on the territory of the Czech Republic.

Investment Policy

Finances collected by the Fund are invested in participation certificates of open-ended mutual funds and securities of foreign entities engaged in collective investing if their objectives and investment policy are not in conflict with the objectives of the Fund. Securities of funds of funds are not purchased.

In addition, shares and other securities permitted by the Act are purchased for the Fund's portfolio.

The allocation by region and sector as well as the selection of individual stocks is managed with the aim to exceed the yield on index investments.

The Fund may use financial derivatives to hedge against foreign currency exposures and against the risks associated with the unfavorable development of prices on stock markets.

2. Basis of Preparation of the Financial Statements

The financial statements have been prepared on the basis of underlying accounting records maintained in accordance with the Accounting Act 563/1991 Coll., and applicable regulations, decrees and internal standards in compliance with and in the scope defined in the Czech Finance Ministry Regulation no. 501/2001 of 6 November 2002, as subsequently amended, which sets out the overall framework for the presentation of the financial statements, and guidelines for the structure and minimum requirements for the content of the financial statements of banks and certain financial institutions, and Czech Accounting Standards, which establish the accounting principles and policies for financial institutions.

The information disclosed for the two immediately preceding accounting periods is reported in line with the requirements of the year to which the financial statements relate.

The Fund is obliged to comply with the regulatory requirements of the Act.

The accounting records are maintained in compliance with general accounting principles, specifically the accruals principle, the prudence concept and the going concern assumption.

The financial statements contain the balance sheet, profit and loss account, off balance sheet records, statement of changes in equity, and notes to the financial statements.

The preparation of the financial statements requires that the Fund make estimates which have an impact on the reported amounts of assets and liabilities as well as expenses and income in the relevant accounting period. These estimates are based on information available as of the date of the financial statements and may differ from the actual results.

These financial statements are unconsolidated.

All figures are stated in thousands of Czech crowns (CZK), unless indicated otherwise.

3. Accounting Methods Applied

Transaction Date

Purchases and sales of securities are recognized upon conclusion of the related contract (the trade date) provided that the period

between the trade date and the fulfillment of the commitment arising from the contract does not exceed a period typical for the relevant type of transaction.

_____ The transaction date for derivative contracts is:

- a) the date upon which the related contract was entered into;
- b) the date when the fair value of the derivative changed; and
- c) the date when performance was effected based on the relevant contract.

_____ The transaction date can also be the date when a receivable or payable arises, changes or ceases to exist, and when other matters to be included in the accounting records occur.

Securities

_____ In accordance with the Fund's strategy, all securities are classified as 'held for trading'. During the accounting period, securities are re-measured to fair value on a daily basis pursuant to Finance Ministry Regulation No. 207/2004 Coll., on determination of fair value of the assets and liabilities of a collective investment fund and the determination of current value of shares of participation certificates of a collective investment fund (henceforth the "Regulation"). The differences between the acquisition cost of securities and the cost determined under the above Regulation are recorded to the balance sheet account 'Gains or losses from revaluation'. Pursuant to the Regulation, securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the rules set out in the Regulation. If the value is not determinable on this basis, the Fund uses a value determined by the Company with due care and diligence, i.e. the values are determined using valuation models based on discounted future cash flows according to the rate of return calculated with reference to the Reuters and Condor+ systems.

_____ Securities are initially measured at cost. The acquisition cost includes direct transaction costs related to the acquisition of securities.

_____ Upon the sale of securities, the difference between the selling price and the cost of the sold securities determined using the weighted arithmetic average is recorded to income and expense accounts. Realized capital gains and losses are charged through the profit and loss account component 'Profit or loss from financial transactions'.

Other Receivables

_____ The Fund records receivables arising from its transactions with securities, receivables from positive fair values of derivatives and other operating receivables.

_____ According to the principle of prudence, outstanding receivables associated with dividends are provisioned in full after two years following the recognition of the claim.

_____ The Fund recorded no provisions for the year ended 31 December 2004.

Loans and Borrowings

_____ The Fund may accept loans under the conditions defined in the Act to cover a temporary lack of finances.

Financial Derivatives and Hedging Transactions

_____ In the normal course of business, the Fund enters into hedging contracts with financial derivatives to hedge against interest rate and foreign currency exposures associated with its transactions on financial markets.

_____ The Fund designates certain derivatives as hedges provided that the following criteria are met:

- > the Fund has developed a risk management strategy;
- > at the inception of the hedge, the hedging relationship is formally documented, the documentation identifies the hedged item and the hedging instrument, defines the risk that is being hedged and the approach to establishing whether the hedge is effective; and
- > the hedge is effective, that is, changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80 percent to 125 percent.

_____ Nominal values of derivative financial instruments are initially recognized in the off-balance sheet accounts. Changes in the fair value of derivatives that are designated and qualify as hedges (see above) are recorded in the balance sheet account 'Gains or losses from revaluation', which is included in equity. All financial derivatives are recorded as assets when fair value is positive and as liabilities when fair value is negative. Fair values are based on the valuation models.

_____ The balances recognized in the balance sheet are transferred to the profit and loss account and classified as income and expenses in the period in which the hedged asset or liability impacts the profit and loss account.

_____ Certain derivatives are embedded in compound financial instruments, which comprise the host instrument and the derivative. Pursuant to the applicable regulations, the Fund recognizes changes in assets and liabilities arising from the movements in rates or prices of securities or changes in exchange rates through 'Gains or losses from revaluation'. Given that the assets of the Fund are valued at fair value, embedded derivatives were not accounted for separately in 2004.

Income Tax

_____ Under effective tax regulations, the corporate income tax rate applicable to mutual funds is 5 percent.

_____ The accounting treatment of gains and losses from revaluation was changed starting from 1 January 2005. Securities are revalued through income and expense accounts. The balances of gains or losses from revaluation as of 31 December 2004 are transferred to accumulated profits or losses brought forward. Therefore, the deferred tax from gains or losses from revaluation was not computed as of 31 December 2004.

_____ The deferred tax asset arising from tax losses of previous years is not accounted for due to the uncertainty regarding its realization in the future.

Foreign Currency Translations

_____ Foreign currencies are translated using the exchange rate promulgated by the Czech National Bank as of the relevant date. As of the balance sheet date, assets and liabilities denominated in foreign currencies are translated on the same basis.

_____ Foreign exchange rate gains and losses from the daily translation of assets and liabilities in foreign currencies are posted to equity.

Shareholders' Equity

_____ The selling price of participation certificates is calculated as a proportion of the Fund's equity and the relevant number of participation certificates. Participation certificates are sold to investors using the selling price determined on a daily basis.

Share Premium

_____ Share premium used to be recorded as a component of capital funds. Starting from 2003, it is disclosed separately. Comparative information for previous periods was appropriately adjusted (refer to the 'Statement of changes in equity').

Interest Income and Expense

_____ Accrued interest relating to assets and liabilities is included in the total balance of such assets and liabilities.

Adjustments Related to Prior Periods

_____ Adjustments to the previous years' income and expenses are recorded as income or expenses in the current year's profit and loss account, unless they relate to significant errors.

4. Risk Management

Credit Risk

_____ In accordance with the Statute and the investment strategy, the Company establishes rules and policies for selecting investment instruments such that the overall credit risk profile of allocated investments is consistent with the characteristics of the Fund. New types of instruments are approved on a case by case basis by the risk management function together with the specification of limits for positions pertaining to these instruments. Specific emphasis is placed on an appropriate rating structure and diversification of portfolios (especially in relation to credit portfolios and their interest components).

Market Risk

_____ The Fund uses a wide range of tools to eliminate risk exposures attached to its portfolios. Major attention is paid to market risks. Apart from statutory restrictions, the Fund is subject to a set of internal limits having a direct impact on the forex exposure, interest rate exposure (the modified duration range of the Fund), share allocation on individual markets according to their volatility, portfolio rating structure (see above), and other characteristics of the Fund. The relevant limits are appropriately applied to correspond with the type of Fund.

_____ Whenever the Fund purchases new types of instruments, these instruments are first analyzed to assess the potential credit risk (see above), as well as the market risk that the instruments might bring to or help eliminate from the portfolio. Subsequently, their appropriateness and, if appropriate, the acceptable proportion of these instruments in the portfolio is evaluated.

_____ The Fund monitors Value at Risk globally and also broken down to Foreign Exchange VaR, Interest Rate VaR and Equity VaR. Based on the above values, the Fund identifies critical risk segments. This identification influences the re-investment process. The limits set up the maximum acceptable VaR for the Fund.

_____ Relative values of VaR in percentage for individual types of risks:

	31 December 2004	Average in 2004
Global VaR	4.79%	6.43%
Foreign Exchange VaR	4.69%	4.51%
Interest Rate VaR	0.00%	0.01%
Equity VaR	3.70%	4.35%

_____ Relative risk exposure is calculated as a proportion of VaR (risk exposure in absolute terms) and the portfolio's market value. Relative VaR as of 31 December is determined with a 95% confidence level for 30 days. The 95% confidence level also applies to the average daily relative VaR determined for 30 days.

_____ Adherence to all the above limits and their effectiveness is monitored and assessed on an ongoing basis. The limits are reviewed, if necessary.

_____ The portfolio's risk of unfavorable development of foreign exchange rates and other market factors is hedged, to an appropriate extent, by financial derivatives. Financial derivatives are purchased or sold on the OTC market as this market enables the trading of contracts whose parameters and nature appropriately satisfy the requirements of a hedge. Portfolios primarily include currency swaps and currency forwards. Derivative positions are therefore opened exclusively for the purpose of hedging, as described above.

Liquidity Risk

_____ Liquidity risk is a risk that the Fund will not have enough disposable resources to meet its obligations arising from financial contracts.

Liquidity is monitored and managed based on expected cash flows, with appropriate adjustments made to the structure of securities and term placements portfolios.

_____ Pursuant to the Act, the Company is obliged to purchase a participation certificate without undue delay but not later than one month

from the date when the repurchase right is claimed. Given that the Fund holds securities traded at foreign stock exchanges which can be realized within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

5. Additional Information on the Financial Statements

5.1. Receivables from Banks

Receivables from banks	2004	2003	2002
Current accounts	12,768	1,000	16,416
Total	12,768	1,000	16,416

_____ Current account balances are repayable on demand.

5.2. Securities

_____ Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to these Notes. All securities held by the Fund are publicly tradable at stock exchanges abroad. Participation certificates which are not tradable at stock exchanges are purchased and administered by the Company.

Shares, participation certificates and other holdings	2004	2003	2002
Acquisition cost	195,478	144,888	98,761
Market revaluation	-9,128	-2,246	-24,466
Total	186,350	142,642	74,295

5.3. Other Assets

Other assets	2004	2003	2002
Positive values of financial derivatives	184	-	-
Tax receivable	-	-	25
Other receivables	3	-	-
Total	187	-	25

5.4. Equity

_____ In accordance with the accounting policies, the Fund has no share capital. The nominal value of a participation certificate is CZK 1. The total nominal value of all participation certificates is posted to 'Capital funds'.

_____ Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded independently. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase.

_____ The selling price of a participation certificate is determined as a proportion of the Fund's equity and the number of participation certificates issued.

_____ The carrying value of a participation certificate as of 31 December 2004 was CZK 0.4413.

_____ The losses incurred in 2002 (CZK 42,241 thousand) and 2003 (CZK 12,943 thousand) were recorded to 'Capital funds' in line with the Statute of the Fund.

_____ The profit of CZK 6,876 thousand generated in 2004 will be transferred to the 'Reinvestment fund' according to the Statute.

Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Drawing from the fund to cover losses	Total capital funds
Balance at 31 Dec 2002	188,924,271	188,924	-32,353	156,571
Participation certificates sold	266,422,708	266,423	-	266,423
Participation certificates purchased	-127,275,959	-127,276	-	-127,276
Covered loss	-	-	-42,241	-42,241
Balance at 31 Dec 2003	328,071,020	328,071	-74,594	253,477
Participation certificates sold	333,323,254	333,323	-	333,323
Participation certificates purchased	-213,647,137	-213,647	-	-213,647
Covered loss	-	-	-12,943	-12,943
Balance at 31 Dec 2004	447,747,137	447,747	-87,537	360,210

Gains and Losses from Revaluation

	From assets and liabilities	From hedging derivatives	Total gains and losses from revaluation
Balance at 31 Dec 2002	-24,465	-	-24,465
Balance at 31 Dec 2003	-2,247	-	-2,247
Balance at 31 Dec 2004	-9,154	184	-8,970

5.5. Other Liabilities

Other liabilities	2004	2003	2002
Payables from management fees	263	191	101
Payables from shareholders' placements	1,057	74	7
Tax liability	93	35	-
Other liabilities	278	134	15,138
Total	1,691	434	15,246

5.6. Accrued Expenses and Deferred Income

_____ Accrued expenses mainly relate to the unbilled custody fee of CZK 22,000 related to December 2004 (2003: CZK 6,000; 2002: CZK 4,000).

5.7. Financial Derivatives Posted as Hedging Derivatives

	Nominal value		Nominal value		Nominal value	
	2004 assets	2004 liabilities	2003 assets	2003 liabilities	2002 assets	2002 liabilities
Currency instruments						
Currency swaps	15,418	15,418	-	-	-	-
	Fair value		Fair value		Fair value	
	2004 positive	2004 negative	2003 positive	2003 negative	2002 positive	2002 negative
Currency instruments						
Currency swaps	184	-	-	-	-	-

_____ Currency derivatives are due within one year.

5.8. Income from Shares and Holdings

	2004	2003	2002
Dividends abroad	621	335	67

5.9. Interest Income and Expense

Income	2004	2003	2002
Income on deposits at banks	140	93	53
Total	140	93	53

Expense	2004	2003	2002
Interest on overdraft account	1	2	9
Total	1	2	9

5.10. Fees and Commissions

	2004	2003	2002
Management fees	2,834	1,631	1,428
Custody fees	226	114	129
Commissions and fees from securities trading	13	64	255
Amounts paid to the Securities Center	88	53	22
Administration of securities	248	88	143
Other fees and commissions	73	65	53
Total	3,482	2,015	2,030

_____ In compliance with the Statute of the Fund, the management fee paid to the Company amounts to 1.60% of the average annual equity value.

_____ Pursuant to the custody service contract entered into with Česká spořitelna, a. s., the Fund paid a fee equal to 0.12% of its average annual equity value until 30 April 2004. Starting from 1 May 2004, the fee equals 0.11% of the Fund's average annual equity value increased by the standard VAT rate.

5.11. Profit or Loss from Financial Operations

	2004	2003	2002
Profit (loss) from securities held for trading	8,090	-11,077	-40,077
Profit (loss) from derivatives	2,909	-	-
Profit (loss) from FX differences	-1,178	-102	-176
Total	9,821	-11,179	-40,253

_____ Profit or loss from derivatives relates to the profit or loss arising from the settlement of fixed term transactions.

_____ Profit or loss from foreign exchange rate differences relates to the amount of realized foreign exchange rate differences on foreign currency accounts and from the settlement of foreign receivables and payables.

5.12. Administrative Expenses

Administrative expenses	2004	2003	2002
Audit	130	124	59
Other expenses	-	-	-
Total	130	124	59

5.13. Income Tax**Main Income Tax Components:**

	2004	2003	2002
Tax payable – current year	93	50	10
Tax payable – previous year	-	1	-
Total income tax	93	51	10

Current Income Tax – Analysis:

	31 Dec 2004
Profit/(loss) before tax	6,969
Items to add	91
Deductible items	620
Other – tax losses carried forward	6,440
Tax base	0
Tax on tax base	0
Dividends abroad	622
Tax on dividends abroad	93
Additional tax payments	0
Total tax	93

_____ The deferred tax asset of CZK 2,971 thousand arising from tax losses of previous years was not accounted for due to the uncertainty regarding its realization in the future.

5.14. Related Party Transactions

_____ Related parties include Česká spořitelna, a. s. and the Company and Erste Bank AG.

	2004	2003	2002
Payables from management fees – ISČS, a. s.	263	191	101
Custody fee for December 2004 not yet billed – ČS, a. s.	22	6	4
Other payables to related parties	214	92	15,080
Total	499	289	15,185

_____ The costs charged to the Fund by Česká spořitelna, a. s. in 2004 totaled CZK 315 thousand (2003: CZK 180 thousand, 2002: 182 thousand), of which the greatest portion was represented by the custody fee of CZK 226 thousand (2003: CZK 114 thousand, 2002: CZK 129 thousand). The annual management fee charged by the Company amounted to CZK 2,834 thousand (2003: CZK 1,631 thousand, 2002: CZK 1,428 thousand). The costs of Erste Bank AG totaled CZK 261 thousand (CZK 154 thousand, 2002: CZK 407 thousand), of which the greatest portion related to the fee for the administration and safekeeping of securities of CZK 247 thousand (2003: CZK 88 thousand, 2002: CZK 143 thousand).

5.15. Liquidity

_____ The following table shows residual maturity of assets broken down by major types.

	Less than 3 months	3 months– –1 year	1–5 years	Over 5 years	Not specified	Total
Receivables from banks	12,768	-	-	-	-	12,768
Shares and participation certificates	-	-	-	-	186,350	186,350
Other assets	3	-	-	-	184	187
Total assets	12,771	-	-	-	186,534	199,305

5.16. Off-balance Sheet Assets and Liabilities

_____ The item 'Assets provided into custody, administration, and safekeeping' relates to foreign securities administered by Erste Bank AG.

5.17. Contingent Assets and Liabilities

_____ The Fund has no assets or liabilities that were not disclosed in the balance sheet or off-balance sheet records as of 31 December 2004.

5.18. Compliance with Section 24 (1) to (5) of Act No. 248/1992 Coll.

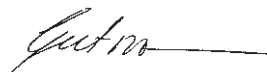
_____ As of 31 December 2004, the Fund did not breach the limit set under Section 24 (1) to (5) of Act no. 248/1992 Coll., as amended.

5.19. Subsequent Events

_____ On 28 January 2005, the Company filed a petition with the Securities Commission regarding the change of the Statute of the Fund resulting from its transformation to a standard fund complying with the requirements of European Community law and in connection with bringing the Statute in line with the Collective Investing Act no. 189/2004 Coll.



Petr Zapletal
Chairman of the Board of Directors
Investiční společnost České spořitelny, a. s.



Guntard Gutmann
Member of the Board of Directors
Investiční společnost České spořitelny, a. s.

Portfolio at 31 December 2004

ISIN	Name of the security	No.	Total market value	Total market accrued interest income
LU0011963245	ABERDEEN GLOBAL ASIA PACIFIC	19,600	657.31	12,883,224.06
IE0004352047	AXA ROS.EQ.ALPHA-EUR EX-UK SMCAP	38,500	323.84	12,467,953.58
LU0067888072	DAVIS FUNDS SICAV - DAVIS VALUE	21,500	575.45	12,372,206.18
DE0008490954	DWS JAPAN OPPORTUNITIES	6,400	1,432.16	9,165,821.76
AT0000704333	ESPA STOCK ISTANBUL FUND	500	6,268.78	3,134,391.53
LU0065004045	GOLDMAN SACHS US CORE EQUITY	42,000	380.65	15,987,396.60
LU0011889929	HENDERSON HOR.-JAPAN.EQUITY FUND	36,000	231.48	8,333,199.00
IE0030382133	INVESCO EUROPEAN EQ CORE-A	74,000	134.66	9,964,492.20
LU0053697206	JPMF-AMERICA MICRO CAP FUND	6,300	2,334.01	14,704,271.82
IE0032812996	MAGNA UMBRELLA FUND-EAST.EUROPE	11,000	825.08	9,075,919.55
LU0054797203	MORGAN STANLEY US VALUE EQUITY	33,300	460.27	15,327,047.61
GB0006779218	NEWTON HIGHER INCOME FUND	290,000	24.91	7,223,813.58
LU0012181318	PARVEST USA CLASSIC C	8,000	1,600.22	12,801,726.00
LU0130731986	PICTET FUNDS - EUROP.EQ SELECT	596,751	11,763.76	7,020,032.62
IE0007440187	PIONEER AMERICA FUND PLC	31,500	214.70	6,763,176.00
LU0091115906	SCHRODER INT.SELECTION-EURO EQ.	32,000	536.49	17,167,636.80
GB0002771052	THREADNEEDLE-EUROPEAN GROWTH F.	350,000	34.16	11,957,207.85
Foreign participation certificates				186,349,516.74
Total portfolio				186,349,516.74

Auditor's Report to the Shareholders of the Fund Investiční společnost České spořitelny, a. s., SPOROMIX 5 – otevřený podílový fond

Having its registered office at: Praha 1, Staré Město, Na Perštýně 342/1

Identification number: 44796188

Principal activities: open – ended mutual fund

We have audited the accompanying financial statements of the fund Investiční společnost České spořitelny, a. s., SPOROMIX 5 – otevřený podílový fond for the year ended 31 December 2004. These financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on the financial statements, taken as a whole, based on our audit.

We conducted our audit in accordance with the Act on Auditors and the auditing standards issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and conduct the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, the accounting records and other evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Company in the preparation of the financial statements, as well as evaluation of the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion on the financial statements.

In our opinion, the financial statements give a true and fair view, in all material respects, of the assets, liabilities, equity and financial position of the fund Investiční společnost České spořitelny, a. s., SPOROMIX 5 – otevřený podílový fond as of 31 December 2004 and of the results of its operations for the year then ended in accordance with the Accounting Act and applicable Czech regulations.

In Prague on 14 March 2005



Audit firm:

Deloitte s. r. o.

Certificate no. 79

Represented by:

Michal Petrman, statutory executive



Statutory auditor:

Michal Petrman

Certificate no. 1105

Balance Sheet as at 31 December 2004

Assets (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Receivables from banks	01	23,829	31,208	16,368
of which: a/current accounts	02	23,829	26,871	9,204
b/term deposits	03		4,337	7,164
c/repo transactions	04			
2 Receivables from non-banking entities	05			
of which: repo transactions	06			
3 Debt securities	07	103,098	61,942	46,821
a/issued by the government	08	89,242	54,478	34,102
b/issued by other entities	09	13,856	7,464	12,719
4 Shares, unit certificates and other participation interests	10	168,801	99,798	101,492
5 Other assets	11	561	432	668
a/derivatives	12	188		
b/receivables from securities trading	13			
c/receivables from taxes	14		175	201
d/other assets	15	373	257	467
6 Deferred expenses and accrued income	16		61	
Total assets	17	296,289	193,441	165,349

Liabilities (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Payables to banks	18			
of which: repo transactions	19			
2 Payables to non-banking entities	20			
of which: repo transactions	21			
3 Other liabilities	22	5,426	6,922	5,674
a/derivatives	23		12	282
b/liabilities from securities trading	24		1,688	
c/liabilities from taxes	25	79		
d/other liabilities	26	5,347	5,222	5,392
4 Deferred income and accrued expenses	27	32		9
5 Reserves	28			
of which: for taxes	29			
6 Share premium	30	-123,868	-130,701	-131,959
7 Other funds from profit	31			
8 Capital funds	32	399,883	324,746	328,239
9 Gains or losses from revaluation	33	10,370	-1,864	-21,653
a/from assets and liabilities	34	10,182	-1,852	-21,371
b/from hedging derivatives	35	188	-12	-282
10 Retained earnings or accumulated losses from previous periods	36			
11 Profit or loss for the accounting period	37	4,446	-5,662	-14,961
Total liabilities	38	296,289	193,441	165,349
of which: equity	39	290,831	186,519	159,666

Off Balance Sheet Accounts at 12/31/2004

Off balance sheet assets (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Amounts due from repo transactions	01			
2 Amounts due from fixed term transactions	02	28,154	6,640	14,030
a/with interest rate instruments	03			
b/with currency instruments	04	28,154	6,640	14,030
3 Receivables written off	05	298	298	298
4 Assets provided into custody, administration and safekeeping	06	271,899	96,129	112,536
of which: securities	07	271,899	96,129	112,536
5 Received guarantees and collateral	08			
6 Amounts owed from fixed term transactions	09	28,154	6,640	14,030
a/with interest rate instruments	10			
b/with currency instruments	11	28,154	6,640	14,030

Profit and Loss Account for the Year Ended 12/31/2004

Item (in thousands CZK)	Line	Result in accounting period		
		Current	Previous 1	Previous 2
1 Interest income and similar income	01	5,202	3,464	4,043
of which: a/interest income from bonds	02	4,340	2,576	3,274
b/interest from repo transactions	03			
2 Interest expenses and similar expenses	04			1
3 Income from shares and unit certificates	05	3,976	2,841	2,418
4 Commission and fee expenses	06	5,182	3,674	4,017
a/fees and commissions from securities trading	07	594	465	466
b/administrative fee	08	3,468	2,816	3,081
c/custody fee	09	340	173	253
d/other financial expenses	10	780	220	217
5 Profit or loss on financial operations	11	1,536	-7,793	-17,018
of which: a/profit or loss on transactions with securities	12	134	-6,467	-17,901
b/profit or loss on foreign exchange transactions and options	13	-532	-69	-800
c/profit or loss on fixed term transactions and options	14	1,934	-1,257	1,683
6 Other operating income	15			3
7 Other operating expenses	16	330		
8 Administrative expenses	17	130	125	60
a/audit	18	130	125	60
b/other administrative expenses	19			
9 Release of provisions against receivables and income from receivables written off	20	26		
10 Depreciation and creation of provisions against receivables	21	85	10	
11 Ordinary profit or loss for the accounting period before tax	22	5,013	-5,297	-14,632
12 Extraordinary income	23			
13 Extraordinary expenses	24			
14 Extraordinary profit or loss for the accounting period before tax	25			
15 Income tax	26	567	365	329
16 Profit or loss for the accounting period after tax	27	4,446	-5,662	-14,961

Statement of Changes in Equity for the Year Ended 12/31/2004

Assets (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Share premium	01			
opening balance	02	-130,701	-131,959	-130,721
issued unit certificates	03	10,264	390	32
repurchase of unit certificates	04	-3,431	868	-1,270
other changes	05			
closing balance	06	-123,868	-130,701	-131,959
2 Retained earnings	07			
opening balance	08			
transfers to funds	09			
other changes	10			
closing balance	11			
3 Capital funds	12			
opening balance	13	324,746	328,239	390,210
issued unit certificates	14	124,362	35,170	8,299
repurchase of unit certificates	15	-43,563	-23,702	-40,481
transfers to funds	16	-5,662	-14,961	-29,789
other changes	17			
closing balance	18	399,883	324,746	328,239
4 Gains or losses from revaluation	19			
opening balance	20	-1,864	-21,653	-9,197
foreign exchange rate differences and gains or losses from revaluation	21	12,234	19,789	-12,456
closing balance	22	10,370	-1,864	-21,653
5 Retained earnings or accumulated losses from previous periods	23			
opening balance	24			
other changes	25			
closing balance	26			
6 Profit (loss) for the current period after taxes	27			
opening balance	28	-5,662	-14,961	-29,789
profit (loss)	29	4,446	-5,662	-14,961
transfers to funds, dividends	30	5,662	14,961	29,789
closing balance	31	4,446	-5,662	-14,961
7 Total	32	290,831	186,519	159,666

Notes to the Financial Statements for the Year Ended 31 December 2004

1. Background Information and Principle Operations

Incorporation and Description of the Fund

Investiční společnost České spořitelny, a.s., SPOROMIX 5 – otevřený podílový fond (named Investiční společnost České spořitelny, a.s. - Všeobecný otevřený podílový fond until 25 March 2002) (hereinafter the “Fund”) was established upon the transformation of Spořitelní privatizační – Všeobecný investiční fond, a.s. based on the Resolution of the Securities Commission ref. no. 211/5 701/R/2000 dated 26 June 2000.

Pursuant to a concluded contract, Česká spořitelna, a.s. acts as the depository of the Fund.

As of 1 May 2004, the Collective Investing Act no. 189/2004 (hereinafter the “Act”) took legal effect. Section 140 of this Act invalidates the Investment Companies and Funds Act no. 248/1992 Coll. Pursuant to the provisions of Section 136 (4) and (8) and Section 84 (14) of the Act, the current Statute of the Fund remains in force during the transition period until the new Statute becomes effective (no later than 30 April 2005); this also applies to the references to the provisions of the Act no. 248/1992 Coll. made in the Statute and the related legal regulations.

The Fund is managed by Investiční společnost České spořitelny, a.s. (hereinafter the “Company”). In accordance with the Act, the Company is responsible for the management of the assets of the Fund, which involves the administration and care of the assets.

Registered Office

Investiční společnost České spořitelny, a.s.
Sporomix 5 – otevřený podílový fond
Praha 1, Staré Město, Na Perštýně 342/1

Principal Operations

The Company collects finance of individuals and corporate entities for the Fund by issuing participation certificates with the purpose of their collective investment on local and foreign money and capital markets. No restrictions are placed on the number of participation certificates for issue and their selling period.

The Fund conducts its operations solely on the territory of the Czech Republic.

Investment Policy

The objective of the Fund is to achieve long-term appreciation by investing in a mixed portfolio with the average equity weight and weight of instruments bearing equity risk of 50 percent.

The equity weight, the currency weight and the average period to maturity are actively managed to reflect the anticipated future development on financial markets in a manner ensuring that the objectives of the Fund are met.

Finances collected by the Fund are invested in shares, bonds, money market instruments and other debt securities permitted by the Act. The Fund’s portfolio is also expanded by purchasing participation certificates of open-ended mutual funds and securities of foreign entities engaged in collective investing if their objectives and investment policy are not in conflict with the objectives of the Fund.

In making investments for the Fund’s portfolio, preference is given to purchasing debt securities issued by issuers with an investment grade credit rating assigned by Standard & Poor’s or Moody’s.

The Fund may use financial derivatives to hedge against interest rate, foreign currency and credit exposures and against the risks associated with the unfavorable development of prices on stock markets.

2. Basis of Preparation of the Financial Statements

The financial statements have been prepared on the basis of underlying accounting records maintained in accordance with the Accounting Act 563/1991 Coll., and applicable regulations, decrees and internal standards in compliance with and in the scope defined in the Czech Finance Ministry Regulation no. 501/2001 of 6 November 2002, as subsequently amended, which sets out the overall framework for the presentation of the financial statements, and guidelines for the structure and minimum requirements for the content of the financial statements of banks and certain financial institutions, and Czech Accounting Standards, which establish the accounting principles and policies for financial institutions.

The information disclosed for the two immediately preceding accounting periods is reported in line with the requirements of the year to which the financial statements relate.

The Fund is obliged to comply with the regulatory requirements of the Act.

The accounting records are maintained in compliance with general accounting principles, specifically the accruals principle, the prudence concept and the going concern assumption.

The financial statements contain the balance sheet, profit and loss account, off balance sheet records, statement of changes in equity, and notes to the financial statements.

The preparation of the financial statements requires that the Fund make estimates which have an impact on the reported amounts of assets and liabilities as well as expenses and income in the relevant accounting period. These estimates are based on information available as of the date of the financial statements and may differ from the actual results.

These financial statements are unconsolidated.

All figures are stated in thousands of Czech crowns (CZK), unless indicated otherwise.

3. Accounting Methods Applied

Transaction Date

_____ Purchases and sales of securities are recognized upon conclusion of the related contract (the trade date) provided that the period between the trade date and the fulfillment of the commitment arising from the contract does not exceed a period typical for the relevant type of transaction.

_____ The transaction date for derivative contracts is:

- a) the date upon which the related contract was entered into;
- b) the date when the fair value of the derivative changed; and
- c) the date when performance was effected based on the relevant contract.

_____ The transaction date can also be the date when a receivable or payable arises, changes or ceases to exist, and when other matters to be included in the accounting records occur.

Securities

_____ In accordance with the Fund's strategy, all securities are classified as 'held for trading'. During the accounting period, securities are re-measured to fair value on a daily basis pursuant to Finance Ministry Regulation no. 207/2004 Coll., on determination of fair value of the assets and liabilities of a collective investment fund and the determination of current value of shares of participation certificates of a collective investment fund (henceforth the "Regulation"). The differences between the acquisition cost of securities and the cost determined under the above Regulation are recorded to the balance sheet account 'Gains or losses from revaluation.' Pursuant to the Regulation, securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the rules set out in the Regulation. If the value is not determinable on this basis, the Fund uses a value determined by the Company with due care and diligence, i.e. the values are determined using valuation models based on discounted future cash flows according to the rate of return calculated with reference to the Reuters and Condor+ systems.

_____ Securities are initially measured at cost. The acquisition cost includes direct transaction costs related to the acquisition of securities.

_____ The difference between the cost and nominal value of the purchased debt securities is amortized, using the straight line method, through the income statement from the moment of the securities' acquisition through their maturity.

_____ Upon the sale of securities, only the difference between the selling price and the cost of the sold securities determined using the weighted arithmetic average is recorded to income and expense accounts. Realized capital gains and losses are charged through the profit and loss account component 'Profit or loss from financial transactions'.

_____ The accrued interest income on purchased debt securities in the amount set out in the issuing conditions is recorded to a special sub-ledger account of assets. The interest income accrued over the holding

period is included in the value of the debt securities and is posted to a special sub-ledger asset account with a corresponding entry to interest income.

Other Receivables

_____ The Fund records receivables arising from its transactions with securities, receivables from positive fair values of derivatives and other operating receivables.

_____ According to the principle of prudence, outstanding receivables associated with dividends are provisioned in full after two years following the recognition of the claim. Further, such provisions are created against outstanding receivables associated with coupons due from insolvent issuers and against other bad debts.

Loans and Borrowings

_____ The Fund may accept loans under the conditions defined in the Act to cover a temporary lack of finances.

Financial Derivatives and Hedging Transactions

_____ In the normal course of business, the Fund enters into hedging contracts with financial derivatives to hedge against interest rate and foreign currency exposures associated with its transactions on financial markets.

_____ The Fund designates certain derivatives as hedges provided that the following criteria are met:

- > the Fund has developed a risk management strategy;
- > at the inception of the hedge, the hedging relationship is formally documented, the documentation identifies the hedged item and the hedging instrument, defines the risk that is being hedged and the approach to establishing whether the hedge is effective; and
- > the hedge is effective, that is, changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80 percent to 125 percent.

_____ Nominal values of derivative financial instruments are initially recognized in the off-balance sheet accounts. Changes in the fair value of derivatives that are designated and qualify as hedges (see above) are recorded in the balance sheet account 'Gains or losses from revaluation', which is included in equity. All financial derivatives are recorded as assets when fair value is positive and as liabilities when fair value is negative. Fair values are based on the valuation models.

_____ The balances recognized in the balance sheet are transferred to the profit and loss account and classified as income and expenses in the period in which the hedged asset or liability impacts the profit and loss account.

_____ Certain derivatives are embedded in compound financial instruments, which comprise the host instrument and the derivative. Pursuant to the applicable regulations, the Fund recognizes changes in assets and

liabilities arising from the movements in rates or prices of securities or changes in exchange rates through 'Gains or losses from revaluation'. Given that the assets of the Fund are valued at fair value, embedded derivatives were not accounted for separately in 2004.

Income Tax

Under effective tax regulations, the corporate income tax rate applicable to mutual funds is 5 percent.

The accounting treatment of gains and losses from revaluation was changed starting from 1 January 2005. Securities are revalued through income and expense accounts. The balances of gains or losses from revaluation as of 31 December 2004 are transferred to accumulated profits or losses brought forward. Therefore, the deferred tax from gains or losses from revaluation was not computed as of 31 December 2004.

The deferred tax asset arising from tax losses of previous years is not accounted for due to the uncertainty regarding its realization in the future.

Foreign Currency Translations

Foreign currencies are translated using the exchange rate promulgated by the Czech National Bank as of the relevant date. As of the balance sheet date, assets and liabilities denominated in foreign currencies are translated on the same basis.

Foreign exchange rate gains and losses from the daily translation of assets and liabilities in foreign currencies are posted to equity.

Shareholders' Equity

The selling price of participation certificates is calculated as a proportion of the Fund's equity and the relevant number of participation certificates. Participation certificates are sold to investors using the selling price determined on a daily basis.

Share Premium

Share premium used to be recorded as a component of capital funds. Starting from 2003, it is disclosed separately. Comparative information for previous periods was appropriately adjusted (refer to the 'Statement of changes in equity').

Interest Income and Expense

Accrued interest relating to assets is included in the total balance of these assets.

Adjustments Related to Prior Periods

Adjustments to the previous years' income and expenses are recorded as income or expenses in the current year's profit and loss account, unless they relate to significant errors.

3. Risk Management

Credit Risk

In accordance with the Statute and the investment strategy, the Company establishes rules and policies for selecting investment instruments such that the overall credit risk profile of allocated investments is consistent with the characteristics of the Fund. New types of instruments are approved on a case by case basis by the risk management function together with the specification of limits for positions pertaining to these instruments. Specific emphasis is placed on an appropriate rating structure and diversification of portfolios (especially in relation to credit portfolios and their interest components).

Market Risk

The Fund uses a wide range of tools to eliminate risk exposures attached to its portfolios. Major attention is paid to market risks. Apart from statutory restrictions, the Fund is subject to a set of internal limits having a direct impact on the forex exposure, interest rate exposure (the modified duration range of the Fund), share allocation on individual markets according to their volatility, portfolio rating structure (see above), and other characteristics of the Fund. The relevant limits are appropriately applied to correspond with the type of Fund.

Whenever the Fund purchases new types of instruments, these instruments are first analyzed to assess the potential credit risk (see above), as well as the market risk that the instruments might bring to or help eliminate from the portfolio. Subsequently, their appropriateness and, if appropriate, the acceptable proportion of these instruments in the portfolio is evaluated.

The Fund monitors Value at Risk globally and also broken down to Foreign Exchange VaR, Interest Rate VaR and Equity VaR. Based on the above values, the Fund identifies critical risk segments. This identification influences the re-investment process. The limits set up the maximum acceptable VaR for the Fund.

Relative values of VaR in percentage for individual types of risks:

	31 December 2004	Average in 2004
Global VaR	3.72%	4.60%
Foreign Exchange VaR	1.37%	1.42%
Interest Rate VaR	0.48%	0.68%
Akcequity VaR	3.46%	4.20%

Relative risk exposure is calculated as a proportion of VaR (risk exposure in absolute terms) and the portfolio's market value. Relative VaR as of 31 December is determined with a 95% confidence level for 30 days. The 95% confidence level also applies to the average daily relative VaR determined for 30 days.

_____ Adherence to all the above limits and their effectiveness is monitored and assessed on an ongoing basis. The limits are reviewed, if necessary.

_____ The portfolio's risk of unfavorable development of foreign exchange rates, interest rates, and other market factors is hedged, to an appropriate extent, by financial derivatives. Financial derivatives are purchased or sold on the OTC market as this market enables the trading of contracts whose parameters and nature appropriately satisfy the requirements of a hedge. Portfolios primarily include currency swaps and currency forwards. Derivative positions are therefore opened exclusively for the purpose of hedging, as described above.

Liquidity Risk

_____ Liquidity risk is a risk that the Fund will not have enough disposable resources to meet its obligations arising from financial contracts. Liquidity is monitored and managed based on expected cash flows, with appropriate adjustments made to the structure of securities and term placements portfolios.

_____ Pursuant to the Act, the Company is obliged to purchase a participation certificate without undue delay but not later than one month from the date when the repurchase right is claimed. Given that the Fund holds securities traded at foreign stock exchanges which can be realized within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

5. Additional Information on the Financial Statements

5.1. Receivables from Banks

Receivables from banks	2004	2003	2002
Current accounts	23,829	26,871	9,204
Term deposits	-	4,337	7,164
Total	23,829	31,208	16,368

_____ Current account balances are repayable on demand.

5.2. Securities

_____ Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to these Notes. All securities held by the Fund are publicly tradable at the Prague Stock Exchange or stock exchanges abroad. Participation certificates which are not tradable at stock exchanges are purchased and administered by the Company.

Shares, participation certificates and other holdings	2004	2003	2002
Acquisition cost	160,966	100,035	124,399
Market revaluation	7,835	-237	-22,907
Total	168,801	99,798	101,492

Debt securities	2004	2003	2002
Acquisition cost	97,617	62,395	44,922
Market revaluation	3,171	-1,587	1,449
Discount charged on an accrual basis, premium	361	-231	-210
Accrued interest income	1,949	1,365	660
Total	103,098	61,942	46,821

_____ Of the aggregate volume of debt securities, debt securities maturing within one year, debt securities maturing within more than one year with a variable coupon and debt securities maturing within more than one year with a fixed coupon account for 6.04%, 7.40% and 86.56%, respectively.

5.3. Other assets

Other assets	2004	2003	2002
Tax receivable	-	175	201
Positive fair values of derivatives	188		
Other receivables	373	257	467
Total	561	432	668

5.4. Equity

_____ In accordance with the accounting policies, the Fund has no share capital. The nominal value of a participation certificate is CZK 1. The total nominal value of all participation certificates is posted to 'Capital funds'.

_____ Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded independently. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase.

_____ The selling price of a participation certificate is determined as a proportion of the Fund's equity and the number of participation certificates issued.

_____ The carrying value of a participation certificate as of 31 December 2004 was CZK 1.1221.

_____ The losses incurred in 2002 (CZK 14,961 thousand) and 2003 (CZK 5,662 thousand) were recorded to 'Capital funds' in line with the Statute of the Fund.

_____ The profit of CZK 4,446 thousand generated in 2003 will be transferred to the 'Reinvestment Fund' in accordance with the Statute.

Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Drawing from the fund to cover losses	Total capital funds
Balance at 31 Dec 2002	166,910,906	166,911	161,328	328,239
Participation certificates sold	35,169,747	35,170	-	35,170
Participation certificates purchased	-23,701,835	-23,702	-	-23,702
Covered loss	-	-	-14,961	-14,961
Balance at 31 Dec 2003	178,378,818	178,379	146,367	324,746
Participation certificates sold	124,362,644	124,362	-	124,362
Participation certificates purchased	-43,563,500	-43,563	-	-43,563
Covered loss	-	-	-5,662	-5,662
Balance at 31 Dec 2004	259,177,962	259,178	140,705	399,883

Gains and Losses from Revaluation

	From assets and liabilities	From hedging derivatives	Total gains and losses from revaluation
Balance at 31 Dec 2002	-21,371	-282	-21,653
Of which: debt securities	1,449	-	-
other assets and liabilities	-22,820	-	-
Balance at 31 Dec 2003	-1,852	-12	-1,864
Of which: debt securities	-1,587	-	-
other assets and liabilities	-265	-	-
Balance at 31 Dec 2004	10,182	188	10,370
Of which: debt securities	3,171	-	-
other assets and liabilities	7,011	-	-

5.5 Other Liabilities

Other liabilities	2004	2003	2002
Negative values of financial derivatives	-	12	282
Payables from management fees	315	272	233
Payables from securities trading	-	1,688	-
Payables from shareholders' placements	-	-	4,941
Tax liability	79	-	-
Other payables	5,032	5,020	218
Total	5,426	6,992	5,674

_____ Payables from securities trading arose at the end of 2003 in connection with the purchase of foreign shares with a settlement date in January 2004.

_____ Other payables include, among other amounts, dividends of CZK 4,803 thousand relating to 1997 which have not been paid to the Fund's former shareholders.

5.6. Financial Derivatives Posted as Hedging Derivatives

Currency instruments	Nominal value		Nominal value		Nominal value	
	2004 assets	2004 liabilities	2003 assets	2003 liabilities	2002 assets	2002 liabilities
Currency swaps	28,154	28,154	6,640	6,640	12,523	12,523
Currency forwards	-	-	-	-	1,507	1,507
Total	28,154	28,154	6,640	6,640	14,030	14,030

Currency instruments	Fair value		Fair value		Fair value	
	2004 positive	2004 negative	2003 positive	2003 negative	2002 positive	2002 negative
Currency swaps	188	-	-	12	-	265
Currency forwards	-	-	-	-	-	17
Total	188	-	-	12	-	282

_____ All derivatives mature within one year.

5.7. Income from Shares and Holdings

	2004	2003	2002
Local dividends	157	400	101
Dividends abroad	3,777	2,435	2,194
Other income	42	6	123
Total received dividends	3,976	2,841	2,418

5.8. Interest Income and Expense

Income	2004	2003	2002
Interests on deposits	862	888	769
Interest on debt securities	4,340	2,576	3,274
Total	5,202	3,464	4,043

Expenses	2004	2003	2002
Interest on current accounts	-	-	1
Total	-	-	1

5.9. Fees and Commissions

	2004	2003	2002
Management fees	3,468	2,816	3,081
Custody fees	340	173	253
Commissions and fees from securities trading	594	465	466
Amounts paid to the Securities Center	556	60	22
Administration of securities	150	61	97
Other fees and commissions	74	99	98
Total	5,182	3,674	4,017

_____ In compliance with the Statute of the Fund, the management fee paid to the Company amounts to 1.30% of the average annual equity value.

_____ Pursuant to the custody service contract entered into with Česká spořitelna, a. s., the Fund paid a fee equal to 0.12% of its average annual equity value until 30 April 2004. Starting from 1 May 2004, the fee equals 0.11% of the Fund's average annual equity value increased by the standard VAT rate.

5.10. Profit or Loss from Financial Operations

	2004	2003	2002
Profit (loss) from securities held for trading	134	-6,467	-17,901
Profit (loss) from derivatives	1,934	-1,257	1,683
Profit (loss) from FX differences	-532	-69	-800
Total	1,536	-7,793	-17,018

_____ Profit or loss from derivatives relates to the profit or loss arising from the settlement of fixed term transactions.

_____ Profit or loss from foreign exchange rate differences relates to the amount of realized foreign exchange rate differences on foreign currency accounts and from the settlement of foreign receivables and payables.

5.11. Administrative Expenses

Administrative expenses	2004	2003	2002
Audit	130	125	60
Other costs	-	-	-
Total	130	125	60

5.12. Income Tax

Main Income Tax Components:

	2004	2003	2002
Tax payable - current year	547	346	329
Tax payable - previous year	20	19	-
Total income tax	567	365	329

Current Income Tax – Analysis:

	31 December 2004
Profit/(loss) before tax	5,013
Items to add	626
Deductible items	3,960
Other – tax losses carried forward	1,679
Tax base	0
Tax on tax base	0
Dividends abroad	3,648
Tax on dividends abroad	547
Additional tax payments	20
Total tax	567

_____ The deferred tax asset of CZK 1,206 thousand arising from tax losses of previous years was not accounted for due to the uncertainty regarding its realization in the future.

5.13. Write-offs of Non Statute-Barred Receivables

	2004	2003	2002
Write-off of non-statute barred receivables	-	10	-

_____ Receivables written off in 2003 are associated with outstanding tax payments on dividends abroad. These receivables were written off based on the approval of the Board of Directors of the Company.

5.14. Related Party Transactions

_____ Related parties include Česká spořitelna, a. s. and the Company.

	2004	2003	2002
Payables from management fees – ISCS	315	272	233
Other payables to related parties	140	1,698	441
Custody fee for December not yet billed	32	-	9
Total	487	1,970	683

_____ The costs charged to the Fund by Česká spořitelna, a. s. in 2004 totaled CZK 1,158 thousand (2003: CZK 523 thousand, 2002: CZK 675 thousand), of which the greatest portion was represented by commissions for trading of CZK 594 thousand, and the custody fee of CZK 340 thousand (2003: CZK 173 thousand, 2002: CZK 253 thousand).

_____ The annual management fee charged by the Company amounted to CZK 3,468 thousand (2003: CZK 2,816 thousand, 2002: CZK 3,081 thousand).

5.15. Liquidity

_____ The following table shows residual maturity of assets broken down by major types.

_____ Given that all securities are traded on public markets, sales can be effected within three months.

	Less than 3 months	3 months- -1 year	1-5 years	Over 5 years	Not specified	Total
Receivables from banks	23,829	-	-	-	-	23,829
Debt securities	2,101	4,125	28,156	68,716	-	103,098
Shares and participation certificates	-	-	-	-	168,801	168,801
Other assets	561	-	-	-	-	561
Total assets	26,491	4,125	28,156	68,716	168,801	296,289

5.16. Off-balance Sheet Assets and Liabilities

_____ The item 'Assets provided into custody, administration and safekeeping' relates to local and foreign securities administered by Česká spořitelna, a. s.

5.17. Contingent Assets and Liabilities

_____ The Fund has no assets or liabilities that were not disclosed in the balance sheet or off-balance sheet records as of 31 December 2004.

5.18. Compliance with Section 24 (1) to (5) of Act No. 248/1992 Coll.

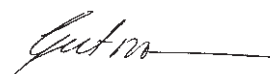
_____ As of 31 December 2004, the Fund did not breach the limit set under Section 24 (1) to (5) of Act no. 248/1992 Coll., as amended.

5.19. Subsequent Events

_____ On 28 January 2005, the Company filed a petition with the Securities Commission regarding the change of the Statute of the Fund resulting from its transformation to a standard fund complying with the requirements of European Community law and in connection with bringing the Statute in line with the Collective Investing Act no. 189/2004 Coll.



Petr Zapletal
Chairman of the Board of Directors
Investiční společnost České spořitelny, a. s.



Guntard Gutmann
Member of the Board of Directors
Investiční společnost České spořitelny, a. s.

Portfolio at 31 December 2004

ISIN	Name of the security	No.	Market value	Total market value	Total market accrued interest income
CZ0009091500	UNIPETROL, A. s.	14,070	98.20	1,381,674.00	0.00
Local shares				1,381,674.00	
CH0012005267	NOVARTIS AG	3,800	1,131.39	4,299,276.30	0.00
CH0012032048	ROCHE HOLDING (GENNUS) PTG NPV	970	2,584.62	2,507,081.89	0.00
CH0012332372	SWISS REINSURANCE/ SCHW.RUECKVERS	960	1,601.32	1,537,266.72	0.00
CH0012032030	UBS AG-REG	1,980	1,882.69	3,727,717.79	0.00
NL0000405173	ZENTIVA BV	3,700	757.60	2,803,120.00	0.00
LU0140205948	ARCELOR	4,600	516.99	2,378,158.83	0.00
FR0000120628	AXA SA	4,600	553.85	2,547,727.02	0.00
ES0113900J37	BANCO SANTANDER CENTRAL HISPANO	5,500	278.15	1,529,799.98	0.00
DE0005151005	BASF AG	1,650	1,614.65	2,664,164.25	0.00
DE0005190003	BAYERISCHE MOTOREN WERKE AG	2,400	1,011.44	2,427,451.20	0.00
FR0000131104	BNP PARIBAS	930	1,623.78	1,510,119.59	0.00
FR0000045072	CREDIT AGRICOLE S.A.	4,500	676.32	3,043,453.50	0.00
DE0005140008	DEUTSCHE BANK AG NPV	1,100	1,989.97	2,188,971.18	0.00
DE0005552004	DEUTSCHE POST	3,100	514.86	1,596,061.35	0.00
DE0005557508	DEUTSCHE TELECOM NPV	7,900	507.24	4,007,213.78	0.00
DE0007614406	E.ON AG	1,300	2,042.98	2,655,877.77	0.00
IT0003132476	ENTE NAZIONALE INDRCARBURI	4,000	561.17	2,244,661.20	0.00
SE0000108656GR	ERICSSON GR	32,000	71.59	2,290,968.00	0.00
FR0000133308	FRANCE TELECOM	4,600	742.13	3,413,786.04	0.00
NL0000303600	ING GROEP N.V.	3,200	678.15	2,170,082.88	0.00
NL0000009538	KONINKLIJKE PHILIPS ELECTRONICS	2,100	594.37	1,248,181.52	0.00
FR0000121014	LUIS VUITTON MOET HENNESSY	740	1,716.70	1,270,360.04	0.00
FI0009000681	NOKIA OYJ	4,600	354.00	1,628,415.18	0.00
GRS434003000	PUBLIC POWER CORPORATION	3,200	627.58	2,008,252.80	0.00
FR0000120578	SANOFI-SYNTHELABO SA	2,000	1,791.34	3,582,684.00	0.00
DE0007236101	SIEMENS AG	1,180	1,900.41	2,242,479.91	0.00
FR0000130809	SOCIETE GENERALE	1,500	2,268.12	3,402,178.88	0.00
IT0003497168	TELECOM ITALIA SPA	18,000	91.70	1,650,593.70	0.00
FR0000120271	TOTAL COMPANY	910	4,895.73	4,455,110.21	0.00
GB0007980591	BP PLC	21,200	219.54	4,654,190.34	0.00
GB0009252882	GLAXOSMITHKLINE PLC	9,400	528.10	4,964,135.49	0.00
GB0007547838	ROYAL BANK OF SCOTLAND GROUP PLC	3,950	757.14	2,990,720.06	0.00
GB0008034141	SHELL TRANSPORT AND TRADING PLC	15,800	191.88	3,031,688.83	0.00
GB0007192106	VODAFONE GROUP PLC	57,000	61.04	3,479,428.20	0.00
HU0000072640	BORSOD CHEM	8,900	229.17	2,039,569.03	0.00
HU0000069232	DEMASZ	1,450	1,908.68	2,767,580.20	0.00
HU0000067707	FHB LAND CREDIT AND MORTG. BANK	870	1,598.83	1,390,978.62	0.00
HU0000067624	GEDEON RICHTER RT.	900	2,770.06	2,493,053.10	0.00
HU0000068952	MAGYAR OLAJ-ES GAZIPARI	2,900	1,575.28	4,568,304.46	0.00
HU0000073507	MATAV RT.	20,900	107.21	2,240,649.29	0.00
HU0000061726	OTP BANK	11,200	686.63	7,690,229.12	0.00
PLGTC0000037	GLOBE TRADE CENTRE	1,700	790.65	1,344,111.80	0.00

ISIN	Name of the security	No.	Market value	Total market value	Total market accrued interest income
PLTLKPL00017	TELEKOMUNIKACJA POLSKA	15,000	147.69	2,215,323.00	0.00
US72917Q2021	PLIVA DD (GDR)	3,500	279.56	978,468.75	0.00
Foreign shares				119,879,645.80	0.00
CZ0003501306	CESKY TELECOM 4.55/05	400	10,105.00	4,042,000.00	83,416.67
CZ0003501199	SKODA AUTO VAR/10	50	99,080.00	4,954,000.00	26,400.00
Local bonds after 1. 1. 1998 – corporate				8,996,000.00	109,816.67
CZ0001000798	SD 2.9/08	2,000	9,907.00	19,814,000.00	455,944.44
CZ0001000814	SD 3.7/13	2,950	9,789.00	28,877,550.00	588,197.22
CZ0001000855	SD 3.8/09	500	10,180.00	5,090,000.00	146,722.22
CZ0001000822	SD 4.6/18	3,300	10,216.00	33,712,800.00	556,600.00
Local bonds after 1. 1. 1998 – state				87,494,350.00	1,747,463.88
XS0126007474	MONUMENT GLOBAL FUNDING 5.75/05	80	25,122.30	2,009,784.00	91,369.86
XS0195560262	GENERAL MOTORS AC VAR/30-06-09	90	29,432.24	2,648,901.29	261.16
Foreign bonds – corporate				4,658,685.29	91,631.02
IE0008471009	ISHARES DJ EURO STOXX 50	23,000	902.68	20,761,592.85	0.00
IE0008470928	ISHARES DJ STOXX 50	31,550	848.76	26,778,217.10	0.00
Foreign participation certificates				47,539,809.95	0.00
Total portfolio				269,950,165.04	1,948,911.57

Auditor's Report to the Shareholders of the Fund Investiční společnost České spořitelny, a. s., SPOROMIX 3 – otevřený podílový fond

Having its registered office at: Praha 1, Staré Město, Na Perštýně 342/1

Identification number: 44796188

Principal activities: open – ended mutual fund

We have audited the accompanying financial statements of the fund Investiční společnost České spořitelny, a. s., SPOROMIX 3 – otevřený podílový fond for the year ended 31 December 2004. These financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on the financial statements, taken as a whole, based on our audit.

We conducted our audit in accordance with the Act on Auditors and the auditing standards issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and conduct the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, the accounting records and other evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Company in the preparation of the financial statements, as well as evaluation of the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion on the financial statements.

In our opinion, the financial statements give a true and fair view, in all material respects, of the assets, liabilities, equity and financial position of the fund Investiční společnost České spořitelny, a. s., SPOROMIX 3 – otevřený podílový fond as of 31 December 2004 and of the results of its operations for the year then ended in accordance with the Accounting Act and applicable Czech regulations.

In Prague on 14 March 2005



Audit firm:

Deloitte s. r. o.

Certificate no. 79

Represented by:

Michal Petrman, statutory executive



Statutory auditor:

Michal Petrman

Certificate no. 1105

Balance Sheet as at 31 December 2004

Assets (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Receivables from banks	01	62,900	78,169	115,138
of which: a/current accounts	02	62,900	63,420	67,481
b/term deposits	03		14,749	47,657
c/repo transactions	04			
2 Receivables from non-banking entities	05			
of which: repo transactions	06			
3 Debt securities	07	198,627	183,885	294,006
a/issued by the government	08	177,768	157,541	178,698
b/issued by other entities	09	20,859	26,344	115,308
4 Shares, unit certificates and other participation interests	10	138,581	131,273	186,793
5 Other assets	11	1,981	3,059	4,086
a/derivatives	12	253		
b/receivables from securities trading	13			
c/receivables from taxes	14		1,108	1,909
d/other assets	15	1,728	1,951	2,177
6 Deferred expenses and accrued income	16		62	
Total assets	17	402,089	396,448	600,023

Liabilities (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Payables to banks	18			
of which: repo transactions	19			
2 Payables to non-banking entities	20			
of which: repo transactions	21			
3 Other liabilities	22	952	2,292	28,648
a/derivatives	23		59	2,256
b/liabilities from securities trading	24		1,202	24,816
c/liabilities from taxes	25	48		
d/other liabilities	26	904	1,031	1,576
4 Deferred income and accrued expenses	27	44	14	79
5 Reserves	28			
of which: for taxes	29			
6 Share premium	30	-182,980	-181,138	-176,440
7 Other funds from profit	31			
8 Capital funds	32	575,519	610,073	889,642
9 Gains or losses from revaluation	33	6,243	-16,755	-59,032
a/from assets and liabilities	34	5,990	-16,696	-56,776
b/from hedging derivatives	35	253	-59	-2,256
10 Retained earnings or accumulated losses from previous periods	36			
11 Profit or loss for the accounting period	37	2,311	-18,038	-82,874
Total liabilities	38	402,089	396,448	600,023
of which: equity	39	401,093	394,142	571,296

Off Balance Sheet Accounts at 12/31/2004

Off balance sheet assets (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Amounts due from repo transactions	01			
2 Amounts due from fixed term transactions	02	36,557	31,503	109,198
a/with interest rate instruments	03			
b/with currency instruments	04	36,557	31,503	109,198
3 Receivables written off	05	11,672	11,613	13,272
4 Assets provided into custody, administration and safekeeping	06	337,208	151,196	296,137
of which: securities	07	337,208	151,196	296,137
5 Received guarantees and collateral	08			
6 Amounts owed from fixed term transactions	09	36,557	31,503	109,198
a/with interest rate instruments	10			
b/with currency instruments	11	36,557	31,503	109,198

Profit and Loss Account for the Year Ended 12/31/2004

Item (in thousands CZK)	Line	Result in accounting period		
		Current	Previous 1	Previous 2
1 Interest income and similar income	01	11,201	13,768	23,491
of which: a/interest income from bonds	02	9,665	10,861	19,586
b/interest from repo transactions	03			
2 Interest expenses and similar expenses	04			9
3 Income from shares and unit certificates	05	3,869	5,240	5,412
4 Commission and fee expenses	06	6,726	9,257	13,444
a/fees and commissions from securities trading	07	607	643	1,056
b/administrative fee	08	5,127	7,716	10,675
c/custody fee	09	502	504	1,204
d/other financial expenses	10	490	394	509
5 Profit or loss on financial operations	11	-5,857	-26,400	-100,593
of which: a/profit or loss on transactions with securities	12	-7,657	-23,056	-106,146
b/profit or loss on foreign exchange transactions and options	13	-257	1,483	668
c/profit or loss on fixed term transactions and options	14	2,057	-4,827	4,885
6 Other operating income	15			3,089
7 Other operating expenses	16			
8 Administrative expenses	17	133	208	64
a/audit	18	133	131	64
b/other administrative expenses	19		77	
9 Release of provisions against receivables and income from receivables written off	20	695	282	
10 Depreciation and creation of provisions against receivables	21	175	760	
11 Ordinary profit or loss for the accounting period before tax	22	2,874	-17,335	-82,118
12 Extraordinary income	23			
13 Extraordinary expenses	24			
14 Extraordinary profit or loss for the accounting period before tax	25			
15 Income tax	26	563	703	756
16 Profit or loss for the accounting period after tax	27	2,311	-18,038	-82,874

Statement of Changes in Equity for the Year Ended 12/31/2004

Assets (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Share premium	01			
opening balance	02	-181,138	-176,440	-148,907
issued unit certificates	03	7,432	1,489	503
repurchase of unit certificates	04	-9,274	-6,187	-28,036
other changes	05			
closing balance	06	-182,980	-181,138	-176,440
2 Retained earnings	07			
opening balance	08			
transfers to funds	09			
other changes	10			
closing balance	11			
3 Capital funds	12			
opening balance	13	610,073	889,642	1,425,508
issued unit certificates	14	74,753	29,762	12,926
repurchase of unit certificates	15	-91,269	-226,457	-343,526
transfers to funds	16	-18,038	-82,874	-205,266
other changes	17			
closing balance	18	575,519	610,073	889,642
4 Gains or losses from revaluation	19			
opening balance	20	-16,755	-59,032	-88,965
foreign exchange rate differences and gains or losses from revaluation	21	22,998	42,277	29,933
closing balance	22	6,243	-16,755	-59,032
5 Retained earnings or accumulated losses from previous periods	23			
opening balance	24			
other changes	25			
closing balance	26			
6 Profit (loss) for the current period after taxes	27			
opening balance	28	-18,038	-82,874	-205,266
profit (loss)	29	2,311	-18,038	-82,874
transfers to funds, dividends	30	18,038	82,874	205,266
closing balance	31	2,311	-18,038	-82,874
7 Total	32	401,093	394,142	571,296

Notes to the Financial Statements for the Year Ended 31 December 2004

1. Background Information and Principle Operations

Incorporation and Description of the Fund

Investiční společnost České spořitelny a. s., Sporomix 3 - otevřený podílový fond (named Investiční společnost České spořitelny, a. s. - 2. otevřený podílový fond until 25 March 2002) (hereinafter the "Fund") was established upon the transformation of 2. spořitelni privatizační investiční fond a. s. under Resolution of the Securities Commission ref. no. 211/981/R/2000 dated 25 February 2000.

Pursuant to a concluded contract, Česká spořitelna, a. s. acts as the depository of the Fund.

As of 1 May 2004, the Collective Investing Act no. 189/2004 (hereinafter the "Act") took legal effect. Section 140 of this Act invalidates the Investment Companies and Funds Act no. 248/1992 Coll. Pursuant to the provisions of Section 136 (4) and (8) and Section 84 (14) of the Act, the current Statute of the Fund remains in force during the transition period until the new Statute becomes effective (no later than 30 April 2005); this also applies to the references to the provisions of the Act no. 248/1992 Coll. made in the Statute and the related legal regulations.

The Fund is managed by the Company. In accordance with the Act, the Company is responsible for the management of the assets of the Fund, which involves the administration and care of the assets.

Registered Office

Investiční společnost České spořitelny, a. s.
Sporomix 3 - otevřený podílový fond
Praha 1, Staré Město, Na Perštýně 342/1

Principal Operations

The Company collects finance of individuals and corporate entities for the Fund by issuing participation certificates with the purpose of their collective investment on local and foreign money and capital markets. No restrictions are placed on the number of participation certificates for issue and their selling period.

The Fund conducts its operations solely on the territory of the Czech Republic.

Investment Policy

The objective of the Fund is to achieve long-term appreciation by investing in a mixed portfolio with the average equity weight of 30 percent.

Finances collected by the Fund are invested in shares, bonds, money market instruments and other securities permitted by the Act.

In making investments for the Fund's portfolio, preference is given to purchasing debt securities issued by issuers with an investment grade credit rating.

The equity weight, the currency weight and the average period to maturity are actively managed to reflect the anticipated future develop-

ments of interest rates and exchange rates in a manner ensuring that the objectives of the Fund are met. The equity weight in the portfolio will not exceed 40 percent. No limits are placed on the portfolio's currency weight.

The Fund uses financial derivatives to hedge against interest rate and foreign currency exposures.

2. Basis of Preparation of the Financial Statements

The financial statements have been prepared on the basis of underlying accounting records maintained in accordance with the Accounting Act 563/1991 Coll., and applicable regulations, decrees and internal standards in compliance with and in the scope defined in the Czech Finance Ministry Regulation no. 501/2001 of 6 November 2002, as subsequently amended, which sets out the overall framework for the presentation of the financial statements, and guidelines for the structure and minimum requirements for the content of the financial statements of banks and certain financial institutions, and Czech Accounting Standards, which establish the accounting principles and policies for financial institutions.

The information disclosed for the two immediately preceding accounting periods is reported in line with the requirements of the year to which the financial statements relate.

The Fund is obliged to comply with the regulatory requirements of the Act.

The accounting records are maintained in compliance with general accounting principles, specifically the accruals principle, the prudence concept and the going concern assumption.

The financial statements contain the balance sheet, profit and loss account, off balance sheet records, statement of changes in equity, and notes to the financial statements.

The preparation of the financial statements requires that the Fund make estimates which have an impact on the reported amounts of assets and liabilities as well as expenses and income in the relevant accounting period. These estimates are based on information available as of the date of the financial statements and may differ from the actual results.

These financial statements are unconsolidated.

All figures are stated in thousands of Czech crowns (CZK), unless indicated otherwise.

3. Accounting Methods Applied

Transaction Date

Purchases and sales of securities are recognized upon conclusion of the related contract (the trade date) provided that the period between the trade date and the fulfillment of the commitment arising

from the contract does not exceed a period typical for the relevant type of transaction.

_____ The transaction date for derivative contracts is:

- a) the date upon which the related contract was entered into;
- b) the date when the fair value of the derivative changed; and
- c) the date when performance was effected based on the relevant contract.

_____ The transaction date can also be the date when a receivable or payable arises, changes or ceases to exist, and when other matters to be included in the accounting records occur.

Securities

_____ In accordance with the Fund's strategy, all securities are classified as 'held for trading'. During the accounting period, securities are re-measured to fair value on a daily basis pursuant to Finance Ministry Regulation no. 207/2004 Coll., on determination of fair value of the assets and liabilities of a collective investment fund and the determination of current value of shares of participation certificates of a collective investment fund (henceforth the "Regulation"). The differences between the acquisition cost of securities and the cost determined under the above Regulation are recorded to the balance sheet account 'Gains or losses from revaluation.' Pursuant to the Regulation, securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the rules set out in the Regulation. If the value is not determinable on this basis, the Fund uses a value determined by the Company with due care and diligence, i.e. the values are determined using valuation models based on discounted future cash flows according to the rate of return calculated with reference to the Reuters and Condor+ systems.

_____ Securities are initially measured at cost. The acquisition cost includes direct transaction costs related to the acquisition of securities.

_____ The difference between the cost and nominal value of the purchased debt securities is amortized, using the straight line method, through the income statement from the moment of the securities' acquisition through their maturity.

_____ Upon the sale of securities, the difference between the selling price and the cost of the sold securities determined using the weighted arithmetic average is recorded to income and expense accounts. Realized capital gains and losses are charged through the profit and loss account component 'Profit or loss from financial transactions'.

_____ The accrued interest income on purchased debt securities in the amount set out in the issuing conditions is recorded to a special sub-ledger account of assets. The interest income accrued over the holding period is included in the value of the debt securities and is posted to a special sub-ledger asset account with a corresponding entry to interest income.

Other Receivables

_____ The Fund records receivables arising from its transactions with securities, receivables from positive fair values of hedging derivatives and other operating receivables.

_____ According to the principle of prudence, outstanding receivables associated with dividends are provisioned in full after two years following the recognition of the claim. Further, such provisions are created against outstanding receivables associated with coupons due from insolvent issuers and against other bad debts.

Loans and Borrowings

_____ The Fund may accept loans under the conditions defined in the Act to cover a temporary lack of finances.

Financial Derivatives and Hedging Transactions

_____ In the normal course of business, the Fund enters into hedging contracts with financial derivatives to hedge against interest rate and foreign currency exposures associated with its transactions on financial markets.

_____ The Fund designates certain derivatives as hedges provided that the following criteria are met:

- > the Fund has developed a risk management strategy;
- > at the inception of the hedge, the hedging relationship is formally documented, the documentation identifies the hedged item and the hedging instrument, defines the risk that is being hedged and the approach to establishing whether the hedge is effective; and
- > the hedge is effective, that is, changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80 percent to 125 percent.

_____ Nominal values of derivative financial instruments are initially recognized in the off-balance sheet accounts. Changes in the fair value of derivatives that are designated and qualify as hedges (see above) are recorded in the balance sheet account 'Gains or losses from revaluation', which is included in equity. All financial derivatives are recorded as assets when fair value is positive and as liabilities when fair value is negative. Fair values are based on the valuation models.

_____ The balances recognized in the balance sheet are transferred to the profit and loss account and classified as income and expenses in the period in which the hedged asset or liability impacts the profit and loss account.

_____ Certain derivatives are embedded in compound financial instruments, which comprise the host instrument and the derivative. Pursuant to the applicable regulations, the Fund recognizes changes in assets and liabilities arising from the movements in rates or prices of securities or changes in exchange rates through 'Gains or losses from revaluation'. Given that the assets of the Fund are valued at fair value, embedded derivatives were not accounted for separately in 2004.

Income Tax

Under effective tax regulations, the corporate income tax rate applicable to mutual funds is 5 percent.

The accounting treatment of gains and losses from revaluation was changed starting from 1 January 2005. Securities are revalued through income and expense accounts. The balances of gains or losses from revaluation as of 31 December 2004 are transferred to accumulated profits or losses brought forward. Therefore, the deferred tax from gains or losses from revaluation was not computed as of 31 December 2004.

The deferred tax asset arising from tax losses of previous years is not accounted for due to the uncertainty regarding its realization in the future.

Foreign Currency Translations

Foreign currencies are translated using the exchange rate promulgated by the Czech National Bank as of the relevant date. As of the balance sheet date, assets and liabilities denominated in foreign currencies are translated on the same basis.

Foreign exchange rate gains and losses from the daily translation of assets and liabilities in foreign currencies are posted to equity.

Shareholders' Equity

The selling price of participation certificates is calculated as a proportion of the Fund's equity and the relevant number of participation certificates. Participation certificates are sold to investors using the selling price determined on a daily basis.

Share Premium

Share premium used to be recorded as a component of capital funds. Starting from 2003, it is disclosed separately. Comparable information for previous periods was appropriately adjusted (refer to the 'Statement of changes in equity').

Interest Income and Expense

Accrued interest relating to assets is included in the total balance of these assets.

Adjustments Related to Prior Periods

Adjustments to the previous years' income and expenses are recorded as income or expenses in the current year's profit and loss account, unless they relate to significant errors.

4. Risk Management**Credit Risk**

In accordance with the Statute and the investment strategy, the Company establishes rules and policies for selecting investment instru-

ments such that the overall credit risk profile of allocated investments is consistent with the characteristics of the Fund. New types of instruments are approved on a case by case basis by the risk management function together with the specification of limits for positions pertaining to these instruments. Specific emphasis is placed on an appropriate rating structure and diversification of portfolios (especially in relation to credit portfolios and their interest components).

Market Risk

The Fund uses a wide range of tools to eliminate risk exposures attached to its portfolios. Major attention is paid to market risks. Apart from statutory restrictions, the Fund is subject to a set of internal limits having a direct impact on the forex exposure, interest rate exposure (the modified duration range of the Fund), share allocation on individual markets according to their volatility, portfolio rating structure (see above), and other characteristics of the Fund. The relevant limits are appropriately applied to correspond with the type of Fund.

Whenever the Fund purchases new types of instruments, these instruments are first analyzed to assess the potential credit risk (see above), as well as the market risk that the instruments might bring to or help eliminate from the portfolio. Subsequently, their appropriateness and, if appropriate, the acceptable proportion of these instruments in the portfolio is evaluated.

The Fund monitors Value at Risk globally and also broken down to Foreign Exchange VaR, Interest Rate VaR and Equity VaR. Based on the above values, the Fund identifies critical risk segments. This identification influences the re-investment process. The limits set up the maximum acceptable VaR for the Fund.

Relative values of VaR in percentage for individual types of risks:

	31 December 2004	Average for 1D in 2004
Global VaR	2.18%	2.97%
Foreign exchange VaR	0.31%	0.55%
Interest rate VaR	0.82%	1.08%
Equity VaR	2.19%	2.71%

Relative risk exposure is calculated as a proportion of VaR (risk exposure in absolute terms) and the portfolio's market value. Relative VaR as of 31 December is determined with a 95% confidence level for 30 days. The 95% confidence level also applies to the average daily relative VaR determined for 30 days.

Adherence to all the above limits and their effectiveness is monitored and assessed on an ongoing basis. The limits are reviewed, if necessary.

The portfolio's risk of unfavorable development of foreign exchange rates, interest rates, and other market factors is hedged, to an appropriate extent, by financial derivatives. Financial derivatives are purchased or sold on the OTC market as this market enables the trad-

ing of contracts whose parameters and nature appropriately satisfy the requirements of a hedge. Portfolios primarily include currency swaps, currency forwards and interest rate swaps. Derivative positions are therefore opened exclusively for the purpose of hedging, as described above.

Liquidity Risk

_____ Liquidity risk is a risk that the Fund will not have enough disposable resources to meet its obligations arising from financial contracts. Liquidity is monitored and managed based on expected cash flows, with appropriate adjustments made to the structure of securities and term placements portfolios.

_____ Pursuant to the Act, the Company is obliged to purchase a participation certificate without undue delay but not later than one month from the date when the repurchase right is claimed. Given that the Fund holds securities traded at foreign stock exchanges which can be realized within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

5. Additional Information on the Financial Statements

5.1. Receivables from Banks

Receivables from banks	2004	2003	2002
Current accounts	62,900	63,420	67,481
Term deposits	-	14,749	47,657
Total	62,900	78,169	115,138

_____ Current account balances are repayable on demand.

5.2. Securities

_____ Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to these Notes. All securities held by the Fund are publicly tradable at the Prague Stock Exchange or stock exchanges abroad. Participation certificates which are not tradable at stock exchanges are purchased and administered by the Company.

Shares, participation certificates and other holdings	2004	2003	2002
Acquisition cost	138,382	143,630	252,717
Market revaluation	-199	-12,357	-65,924
Total	138,581	131,273	186,793

Debt securities	2004	2003	2002
Acquisition cost	188,784	185,426	281,749
Market revaluation	6,664	-4,194	8,653
Discount charged on an accrual basis, premium	215	-767	-1,391
Accrued interest income	2,964	3,420	4,995
Total	198,627	183,885	294,006

_____ Of the aggregate volume of debt securities, debt securities maturing within one year, debt securities maturing within more than one year with a variable coupon and debt securities maturing within more than one year with a fixed coupon account for 3.12%, 7.39% and 89.49%, respectively.

5.3. Other Assets

Other assets	2004	2003	2002
Positive fair values of derivatives	253	-	-
Tax receivable	-	1,108	1,909
Other receivables	3,151	3,855	3,513
Provisions	-1,423	-1,904	-1,336
Total	1,981	3,059	4,086

Other receivables primarily comprise the receivable from dividends of CZK 1,633 thousand (2003: CZK 2,465 thousand, 2002: CZK 2,449 thousand) and local coupons of CZK 1,390 thousand (2003: CZK 1,390 thousand, 2002: CZK 1,064 thousand).

5.4. Equity

In accordance with the accounting policies, the Fund has no share capital. The nominal value of a participation certificate is CZK 1. The total nominal value of all participation certificates is posted to 'Capital funds'.

Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded independently. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase.

The selling price of a participation certificate is determined as a proportion of the Fund's equity and the number of participation certificates issued.

The carrying value of a participation certificate as of 31 December 2004 was CZK 1.1459.

The losses incurred in 2002 (CZK 82,874 thousand) and 2003 (CZK 18,038 thousand) were recorded to 'Capital funds' in line with the Statute of the Fund.

The profit of CZK 2,311 thousand generated in 2004 will be allocated to the 'Reinvestment fund', which is included in 'Other funds from profit'.

Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Contribution upon the Fund's transformation	Drawing from the fund to cover losses	Total capital funds
Balance at 31 Dec 2002	563,249,659	563,250	651,800	-325,408	889,642
Participation certificates sold	29,760,708	29,761	-	-	29,761
Participation certificates purchased	-226,457,123	-226,456	-	-	-226,456
Covered loss	-	-	-	-82,874	-82,874
Balance at 31 Dec 2003	366,553,244	366,555	651,800	-408,282	610,073
Participation certificates sold	74,753,438	74,753	-	-	74,753
Participation certificates purchased	-91,268,814	-91,269	-	-	-91,269
Covered loss	-	-	-	-18,038	-18,038
Balance at 31 Dec 2004	350,037,868	350,039	651,800	-426,320	575,519

Gains and Losses from Revaluation

	From assets and liabilities	From hedging derivatives	Total gains and losses from revaluation
Balance at 31 Dec 2002	-56,776	-2,256	-59,032
Of which: debt securities	8,653	-	-
other assets and liabilities	-65,429	-	-
Balance at 31 Dec 2003	-16,696	-59	-16,755
Of which: debt securities	-4,194	-	-
other assets and liabilities	-12,502	-	-
Balance at 31 Dec 2004	5,990	253	6,243
Of which: debt securities	6,664	-	-
other assets and liabilities	-674	-	-

5.5. Other Liabilities

Other liabilities	2004	2003	2002
Negative values of financial derivatives	-	59	2,256
Payables from management fees	435	575	833
Payables from securities trading	-	1,202	24,816
Tax liability	48	-	-
Payables from shareholders' placements	286	-	2
Other payables	183	456	741
Total	952	2,292	28,648

5.6. Accrued Expenses and Deferred Income

_____ Accrued expenses relate to the unbilled custody fee of CZK 44 thousand related to December 2004 (2003: CZK 14 thousand; 2002: CZK 79 thousand).

5.7. Financial Derivatives Posted as Hedging Derivatives

	Nominal value		Nominal value		Nominal value	
	2004 assets	2004 liabilities	2003 assets	2003 liabilities	2002 assets	2002 liabilities
Currency instruments						
Currency swaps	36,557	36,557	31,503	31,503	100,047	100,047
Currency forwards	-	-	-	-	9,151	9,151
Total	36,557	36,557	31,503	31,503	109,198	109,198

	Fair value		Fair value		Fair value	
	2004 positive	2004 negative	2003 positive	2003 negative	2002 positive	2002 negative
Currency instruments						
Currency swaps	253	-	-	59	-	2,151
Currency forwards	-	-	-	-	-	105
Total	253	-	-	59	-	2,256

_____ Currency derivatives are due within one year.

5.8. Income from Shares and Holdings

	2004	2003	2002
Local dividends	72	549	192
Dividends abroad	3,752	4,691	4,934
Other income	45	-	286
Total received dividends	3,869	5,240	5,412

5.9. Interest Income and Expense

Income	2004	2003	2002
Interest on deposits	1,536	2,907	3,905
Interest on debt securities	9,665	10,861	19,586
Total	11,201	13,768	23,491
Expense	2004	2003	2002
Interest on current accounts	-	-	9
Total	-	-	9

5.10. Fees and Commissions

	2004	2003	2002
Management fees	5,127	7,716	10,675
Custody fees	502	504	1,204
Commissions and fees from securities trading	607	643	1,056
Amounts paid to the Securities Center	209	65	27
Administration of securities	183	160	326
Other fees and commissions	98	169	156
Total	6,726	9,257	13,444

_____ In compliance with the Statute of the Fund, the management fee paid to the Company amounts to 1.30% of the average annual equity value.

_____ Pursuant to the custody service contract entered into with Česká spořitelna, a. s., the Fund paid a fee equal to 0.12% of its average annual equity value until 30 April 2004. Starting from 1 May 2004, the fee equals 0.11% of the Fund's average annual equity value increased by the standard VAT rate.

5.11. Profit or Loss from Financial Operations

	2004	2003	2002
Profit (loss) from securities held for trading	-7,657	-23,056	-106,146
Profit (loss) from derivatives	2,057	-4,827	4,885
Profit (loss) from FX differences	-257	1,483	668
Total	-5,857	-26,400	-100,593

_____ Profit or loss from derivatives relates to the profit or loss arising from the settlement of fixed term transactions with currency instruments.

_____ Profit or loss from foreign exchange rate differences relates to the amount of realized foreign exchange rate differences on foreign currency accounts and from the settlement of foreign receivables and payables.

5.12. Administrative Expenses

Administrative expenses	2004	2003	2002
Audit	133	131	64
Other expenses	-	77	-
Total	133	208	64

5.13. Income Tax

Main Income Tax Components:

	2004	2003	2002
Tax payable – current year	545	681	724
Tax payable – previous year	18	22	32
Total income tax	563	703	756

Current Income Tax – Analysis:

	31 December 2004
Profit/(loss) before tax	2,874
Items to add	839
Deductible items	4,518
Tax base	-805
Tax on tax base	0
Dividends abroad	3,634
Tax on dividends abroad	545
Additional tax payments	18
Total tax	563

_____ The tax liability on dividends abroad is associated with the dividends declared in 2004.

_____ The deferred tax asset of CZK 5,642 thousand arising from tax losses of previous years was not accounted for due to the uncertainty regarding its realization in the future.

5.14. Write-offs of Non Statute-Barred Receivables

	2004	2003	2002
Write-offs of non-statute barred receivables	-	24	-
Income from receivables previously written off	2	161	-

_____ Income from receivables previously written off is included in 'Release of provisions against receivables and income from receivables previously written off'.

5.15. Related Party Transactions

_____ Related parties include Česká spořitelna, a. s. and the Company.

	2004	2003	2002
Payables from management fees – ISČS, a. s.	435	575	833
Custody fee for December 2004 not yet billed – ČS, a. s.	44	14	79
Other payables to related parties	102	1,276	27,239
Total	581	1,865	28,072

_____ The costs charged to the Fund by Česká spořitelna, a. s. in 2004 totaled CZK 1,389 thousand (2003: CZK 795 thousand, 2002: CZK 1,499 thousand), of which the greatest portion was the custody fee of CZK 1,083 thousand (2003: CZK 504 thousand, 2002: CZK 1,204 thousand)

_____ The annual management fee charged by the Company amounted to CZK 5,127 thousand (2003: CZK 7,716 thousand, 2002: CZK 10,675 thousand).

5.16. Liquidity

_____ The following table shows residual maturity of assets broken down by major types.

_____ Given that all securities are traded on public markets, sales can be effected within three months.

	Less than 3 months	3 months– –1 year	1–5 years	Over 5 years	Not specified	Total
Receivables from banks	62,900	–	–	–	–	62,900
Debt securities	–	6,188	30,216	162,223	–	198,627
Shares and participation certificates	–	–	–	–	138,581	138,581
Other assets	1,728	–	–	–	253	1,981
Total assets	64,628	6,188	30,216	162,223	138,834	402,089

5.17. Off-Balance Sheet Assets and Liabilities

_____ The item ‘Assets provided into custody, administration and safekeeping’ relates to foreign and local securities administered by Česká spořitelna, a. s.

5.18. Contingent Assets and Liabilities

_____ The Fund has no assets or liabilities that were not disclosed in the balance sheet or off-balance sheet records as of 31 December 2004.

5.19. Compliance with Section 24 (1) to (5) of Act No. 248/1992 Coll.

_____ As of 31 December 2004, the Fund did not breach the limit set under Section 24 (1) to (5) of Act no. 248/1992 Coll., as amended.

5.20. Subsequent Events

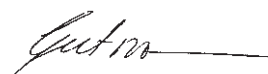
_____ On 28 January 2005, the Company filed a petition with the Securities Commission regarding the change of the Statute of the Fund resulting from its transformation to a standard fund complying with the requirements of European Community law and in connection with bringing the Statute in line with the Collective Investing Act no. 189/2004 Coll.



Petr Zapletal

Chairman of the Board of Directors

Investiční společnost České spořitelny, a. s.



Guntard Gutmann

Member of the Board of Directors

Investiční společnost České spořitelny, a. s.

Portfolio at 31 December 2004

ISIN	Name of the security	No.	Market value	Total market value	Total market accrued interest income
CH0012005267	NOVARTIS AG	3,300	1,131.39	3,733,582.05	0.00
CH0012032048	ROCHE HOLDING (GENNUS) PTG NPV	930	2,584.62	2,403,697.07	0.00
CH0012332372	SWISS REINSURANCE/SCHW.RUECKVERS	850	1,601.32	1,361,121.58	0.00
CH0012032030	UBS AG-REG	1,450	1,882.69	2,729,894.34	0.00
NL0000405173	ZENTIVA BV	3,000	757.60	2,272,800.00	0.00
LU0140205948	ARCELOR	4,000	516.99	2,067,964.20	0.00
FR0000120628	AXA SA	3,050	553.85	1,689,253.79	0.00
ES0113900J37	BANCO SANTANDER CENTRAL HISPANO	3,500	278.15	973,509.08	0.00
DE0005151005	BASF AG	1,500	1,614.65	2,421,967.50	0.00
DE0005190003	BAYERISCHE MOTOREN WERKE AG	2,000	1,011.44	2,022,876.00	0.00
FR0000131104	BNP PARIBAS	800	1,623.78	1,299,027.60	0.00
FR0000045072	CREDIT AGRICOLE S.A.	3,700	676.32	2,502,395.10	0.00
DE0005140008	DEUTSCHE BANK AG NPV	900	1,989.97	1,790,976.42	0.00
DE0005552004	DEUTSCHE POST	2,500	514.86	1,287,146.25	0.00
DE0005557508	DEUTSCHE TELECOM NPV	5,400	507.24	2,739,108.15	0.00
DE0007614406	E.ON AG	1,000	2,042.98	2,042,982.90	0.00
IT0003132476	ENTE NAZIONALE INDROCARBURI	3,900	561.17	2,188,544.67	0.00
SE0000108656GR	ERICSSON GR	26,000	71.59	1,861,411.50	0.00
FR0000133308	FRANCE TELECOM	3,700	742.13	2,745,871.38	0.00
NL0000303600	ING GROEP N.V.	2,800	678.15	1,898,822.52	0.00
NL0000009538	KONINKLIJKE PHILIPS ELECTRONICS	2,500	594.37	1,485,930.38	0.00
FR0000121014	LUIS VUITTON MOET HENNESSY	620	1,716.70	1,064,355.71	0.00
FI0009000681	NOKIA OYJ	6,000	354.00	2,124,019.80	0.00
GRS434003000	PUBLIC POWER CORPORATION	2,700	627.58	1,694,463.30	0.00
FR0000120578	SANOFI-SYNTHELABO SA	1,600	1,791.34	2,866,147.20	0.00
DE0007236101	SIEMENS AG	780	1,900.41	1,482,317.23	0.00
FR0000130809	SOCIETE GENERALE	1,000	2,268.12	2,268,119.25	0.00
IT0001389920	TELECOM ITALIA MEDIA SPA	215	10.14	2,180.49	0.00
IT0003497168	TELECOM ITALIA SPA	13,000	91.70	1,192,095.45	0.00
FR0000120271	TOTAL COMPANY	760	4,895.73	3,720,751.38	0.00
GB0007980591	BP PLC	18,292	219.54	4,015,775.93	0.00
GB0009252882	GLAXOSMITHKLINE PLC	7,917	528.10	4,180,963.90	0.00
GB0007547838	ROYAL BANK OF SCOTLAND GROUP PLC	3,900	757.14	2,952,862.85	0.00
GB0008034141	SHELL TRANSPORT AND TRADING PLC	13,700	191.88	2,628,742.85	0.00
GB0007192106	VODAFONE GROUP PLC	49,000	61.04	2,991,087.40	0.00
HU0000072640	BORSOD CHEM	7,100	229.17	1,627,071.93	0.00
HU0000069232	DEMASZ	1,541	1,908.68	2,941,269.72	0.00
HU0000067624	GEDEON RICHTER RT.	500	2,770.06	1,385,029.50	0.00
HU0000068952	MAGYAR OLAJ-ES GAZIPARI	2,500	1,575.28	3,938,193.50	0.00
HU0000073507	MATAV RT.	15,949	107.21	1,709,861.99	0.00
HU0000061726	OTP BANK	6,500	686.63	4,463,079.40	0.00
PLGTC0000037	GLOBE TRADE CENTRE	1,800	790.65	1,423,177.20	0.00
PLTLKPL00017	TELEKOMUNIKACJA POLSKA	17,000	147.69	2,510,699.40	0.00
US72917Q2021	PLIVA DD (GDR)	4,000	279.56	1,118,250.00	0.00
Foreign shares				97,819,397.86	0.00

ISIN	Name of the security	No.	Market value	Total market value	Total market accrued interest income
CZ0003501306	CESKY TELECOM 4.55/05	600	10,105.00	6,063,000.00	125,125.00
CZ0003501199	SKODA AUTO VAR/10	100	99,080.00	9,908,000.00	52,800.00
Local bonds after 1. 1. 1998 – corporate				15,971,000.00	177,925.00
CZ0001000798	SD 2.9/08	2,000	9,907.00	19,814,000.00	455,944.44
CZ0001000814	SD 3.7/13	5,700	9,789.00	55,797,300.00	1,136,516.67
CZ0001000855	SD 3.8/09	500	10,180.00	5,090,000.00	146,722.22
CZ0001000822	SD 4.6/18	6,800	10,216.00	69,468,800.00	1,146,933.34
CZ0001000749	SD 6.95/16	2,000	12,406.00	24,812,000.00	-100,388.89
Local bonds after 1. 1. 1998 – state				174,982,100.00	2,785,727.78
XS0195560262	GENERAL MOTORS AC VAR/30-06-09	160	29,432.24	4,709,157.84	464.29
Foreign bonds – corporate				4,709,157.84	464.29
IE0008471009	ISHARES DJ EURO STOXX 50	12,200	902.68	11,012,670.99	0.00
IE0008470928	ISHARES DJ STOXX 50	35,050	848.75	29,748,859.25	0.00
Foreign participation certificates				40,761,530.24	0.00
Total portfolio				334,243,185.94	2,964,117.07

Auditor's Report to the Shareholders of the Fund Investiční společnost České spořitelny, a. s., Fond řízených výnosů – otevřený podílový fond

Having its registered office at: Praha 1, Staré Město, Na Perštýně 342/1
Identification number: 44796188
Principal activities: open – ended mutual fund

We have audited the accompanying financial statements of the fund Investiční společnost České spořitelny, a. s., Fond řízených výnosů – otevřený podílový fond for the year ended 31 December 2004. These financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on the financial statements, taken as a whole, based on our audit.

We conducted our audit in accordance with the Act on Auditors and the auditing standards issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and conduct the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, the accounting records and other evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Company in the preparation of the financial statements, as well as evaluation of the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion on the financial statements.

In our opinion, the financial statements give a true and fair view, in all material respects, of the assets, liabilities, equity and financial position of Investiční společnost České spořitelny, a. s., Fond řízených výnosů – otevřený podílový fond as of 31 December 2004 and of the results of its operations for the year then ended in accordance with the Accounting Act and applicable Czech regulations.

In Prague on 14 March 2005



Audit firm:
Deloitte s. r. o.
Certificate no. 79
Represented by:
Michal Petrman, statutory executive



Statutory auditor:
Michal Petrman
Certificate no. 1105

Balance Sheet as at 31 December 2004

Assets (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Receivables from banks	01	95,732	192,142	109,021
of which: a/current accounts	02	95,732	192,142	109,021
b/term deposits	03			
c/repo transactions	04			
2 Receivables from non-banking entities	05			
of which: repo transactions	06			
3 Debt securities	07	654,452	677,889	725,948
a/issued by the government	08	142,428	101,279	142,925
b/issued by other entities	09	512,024	576,610	583,023
4 Shares, unit certificates and other participation interests	10	76,888		80,658
5 Other assets	11	916	2,415	9,363
a/derivatives	12	838	226	40
b/receivables from securities trading	13			
c/receivables from taxes	14		2,032	7,516
d/other assets	15	78	157	1,807
6 Deferred expenses and accrued income	16		65	
Total assets	17	827,988	872,511	924,990
Liabilities (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Payables to banks	18			
of which: repo transactions	19			
2 Payables to non-banking entities	20			
of which: repo transactions	21			
3 Other liabilities	22	1,513	971	1,796
a/derivatives	23	145		
b/liabilities from securities trading	24			
c/liabilities from taxes	25	297		
d/other liabilities	26	1,071	971	1,796
4 Deferred income and accrued expenses	27	90	73	146
5 Reserves	28			
of which: for taxes	29			
6 Share premium	30	-1,131,199	-1,118,853	-1,107,919
7 Other funds from profit	31	77,046	72,182	59,101
8 Capital funds	32	1,862,106	1,908,887	1,954,316
9 Gains or losses from revaluation	33	-1,018	2,967	3,051
a/from assets and liabilities	34	-1,727	2,705	3,011
b/from hedging derivatives	35	709	262	40
10 Retained earnings or accumulated losses from previous periods	36	1,419	1,419	1,419
11 Profit or loss for the accounting period	37	18,031	4,865	13,080
Total liabilities	38	827,988	872,511	924,990
of which: equity	39	826,385	871,467	923,048

Off Balance Sheet Accounts at 12/31/2004

Off balance sheet assets (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Amounts due from repo transactions	01			
2 Amounts due from fixed term transactions	02	61,590	34,693	52,235
a/with interest rate instruments	03	9,987	9,987	
b/with currency instruments	04	51,603	24,706	52,235
3 Receivables written off	05		18,201	18,201
4 Assets provided into custody, administration and safekeeping	06	731,340	366,426	374,787
of which: securities	07	731,340	366,426	374,787
5 Received guarantees and collateral	08			
6 Amounts owed from fixed term transactions	09	61,590	34,693	52,235
a/with interest rate instruments	10	9,987	9,987	
b/with currency instruments	11	51,603	24,706	52,235

Profit and Loss Account for the Year Ended 12/31/2004

Item (in thousands CZK)	Line	Result in accounting period		
		Current	Previous 1	Previous 2
1 Interest income and similar income	01	24,626	31,848	44,473
of which: a/interest income from bonds	02	22,108	28,560	38,659
b/interest from repo transactions	03			
2 Interest expenses and similar expenses	04	304	145	
3 Income from shares and unit certificates	05	5,093	1,086	1,109
4 Commission and fee expenses	06	13,622	12,581	19,549
a/fees and commissions from securities trading	07	549	349	407
b/administrative fee	08	11,067	10,817	16,945
c/custody fee	09	1,083	1,068	1,978
d/other financial expenses	10	923	347	219
5 Profit or loss on financial operations	11	3,020	-15,043	-15,396
of which: a/profit or loss on transactions with securities	12	2,516	-16,827	-17,577
b/profit or loss on foreign exchange transactions and options	13	-1,567	-51	484
c/profit or loss on fixed term transactions and options	14	2,071	1,835	1,697
6 Other operating income	15			2,725
7 Other operating expenses	16			
8 Administrative expenses	17	139	137	68
a/audit	18	139	137	68
b/other administrative expenses	19			
9 Release of provisions against receivables and income from receivables written off	20	265	22	
10 Depreciation and creation of provisions against receivables	21	144	22	134
11 Ordinary profit or loss for the accounting period before tax	22	18,795	5,028	13,160
12 Extraordinary income	23			
13 Extraordinary expenses	24			
14 Extraordinary profit or loss for the accounting period before tax	25			
15 Income tax	26	764	163	80
16 Profit or loss for the accounting period after tax	27	18,031	4,865	13,080

Statement of Changes in Equity for the Year Ended 12/31/2004

Assets (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Share premium	01			
opening balance	02	-1,118,853	-1,107,919	-1,075,865
issued unit certificates	03	11,733	21,037	17,948
repurchase of unit certificates	04	-24,079	-31,971	-50,002
other changes	05			
closing balance	06	-1,131,199	-1,118,853	-1,107,919
2 Retained earnings	07			
opening balance	08	72,182	59,101	
transfers to funds	09	4,864	13,080	59,101
other changes	10		1	
closing balance	11	77,046	72,182	59,101
3 Capital funds	12			
opening balance	13	1,908,887	1,954,316	2,098,126
issued unit certificates	14	44,660	87,974	76,656
repurchase of unit certificates	15	-91,441	-133,403	-220,466
transfers to funds	16			
other changes	17			
closing balance	18	1,862,106	1,908,887	1,954,316
4 Gains or losses from revaluation	19			
opening balance	20	2,967	3,051	-25,404
foreign exchange rate differences and gains or losses from revaluation	21	-3,985	-84	28,455
closing balance	22	-1,018	2,967	3,051
5 Retained earnings or accumulated losses from previous periods	23			
opening balance	24	1,419	1,419	1,419
other changes	25			
closing balance	26	1,419	1,419	1,419
6 Profit (loss) for the current period after taxes	27			
opening balance	28	4,865	13,080	59,101
profit (loss)	29	18,031	4,865	13,080
transfers to funds, dividends	30	-4,865	-13,080	-59,101
closing balance	31	18,031	4,865	13,080
7 Total	32	826,385	871,467	923,048

Notes to the Financial Statements for the Year Ended 31 December 2004

1. Background Information and Principle Operations

Incorporation and Description of the Fund

Investiční společnost České spořitelny, a.s., Fond řízených výnosů - otevřený podílový (hereinafter the "Fund") was established upon the renaming of Investiční společnost České spořitelny, a.s. - Český otevřený podílový fond, which was incorporated upon the transformation of Spořitelni privatizační - Český investiční fond, a.s. to an open-ended mutual fund under Section 35 of the Act no. 248/1992 Coll. The transformation of the investment fund was performed in harmony with the Resolution of the Securities Commission ref. no. 111/6 997/1998.

Pursuant to a concluded contract, Česká spořitelna, a.s. acts as the depository of the Fund.

The Fund is managed by Investiční společnost České spořitelny, a.s. (hereinafter the "Company"). In accordance with the Act no. 189/2004 Coll., the Company is responsible for the management of the assets of the Fund, which involves the administration and care of the assets.

As of 1 May 2004, the Collective Investing Act no. 189/2004 (hereinafter the "Act") took legal effect. Section 140 of this Act invalidates the Investment Companies and Funds Act no. 248/1992 Coll. Pursuant to the provisions of Section 136 (4) and (8) and Section 84 (14) of the Act, the current Statute of the Fund remains in force during the transition period until the new Statute becomes effective (no later than 30 April 2005); this also applies to the references to the provisions of the Act no. 248/1992 Coll. made in the Statute and the related legal regulations.

Registered Office

Investiční společnost České spořitelny, a.s.
Fond řízených výnosů - otevřený podílový fond
Praha 1, Staré Město, Na Perštýně 342/1

Principal Operations

The Company collects finance of individuals and corporate entities for the Fund by issuing participation certificates with the purpose of their collective investment on local and foreign money and capital markets. No restrictions are placed on the number of participation certificates for issue and their selling period.

Investment Policy

Finances collected by the Fund are invested in shares, bonds, money market instruments and other securities permitted by the Act.

In making investments for the Fund's portfolio, preference is given to purchasing debt securities issued by issuers with an investment grade credit rating.

In accordance with the Statute of the Fund, the equity weight must not exceed 25 percent. If the value of shares in the portfolio decreases during the calendar year, their weight is gradually reduced to ensure that

the debt portion enables the Fund to achieve positive appreciation in the given year.

The average modified duration range of the debt portion of the portfolio will not exceed 1.5 years.

The equity weight, the currency weight and the average period to maturity are actively managed to reflect the anticipated future developments of interest rates and exchange rates in a manner ensuring the achievement of positive appreciation in every calendar year. No guarantees are provided as to the fulfillment of this objective.

The Fund uses financial derivatives to hedge against interest rate and foreign currency exposures.

2. Basis of Preparation of the Financial statements

The financial statements have been prepared on the basis of underlying accounting records maintained in accordance with the Accounting Act 563/1991 Coll., and applicable regulations, decrees and internal standards in compliance with and in the scope defined in the Czech Finance Ministry Regulation no. 501/2001 of 6 November 2002, as subsequently amended, which sets out the overall framework for the presentation of the financial statements, and guidelines for the structure and minimum requirements for the content of the financial statements of banks and certain financial institutions, and Czech Accounting Standards, which establish the accounting principles and policies for financial institutions.

The information disclosed for the two immediately preceding accounting periods is reported in line with the requirements of the year to which the financial statements relate.

The Fund is obliged to comply with the regulatory requirements of the Act.

The accounting records are maintained in compliance with general accounting principles, specifically the accruals principle, the prudence concept and the going concern assumption.

The financial statements contain the balance sheet, profit and loss account, off balance sheet records, statement of changes in equity, and notes to the financial statements.

The preparation of the financial statements requires that the Fund make estimates which have an impact on the reported amounts of assets and liabilities as well as expenses and income in the relevant accounting period. These estimates are based on information available as of the date of the financial statements and may differ from the actual results.

These financial statements are unconsolidated.

All figures are stated in thousands of Czech crowns (CZK), unless indicated otherwise.

3. Accounting methods applied

Transaction Date

_____ Purchases and sales of securities are recognized upon conclusion of the related contract (the trade date) provided that the period between the trade date and the fulfillment of the commitment arising from the contract does not exceed a period typical for the relevant type of transaction.

_____ The transaction date for derivative contracts is:

- a) the date upon which the related contract was entered into;
- b) the date when the fair value of the derivative changed; and
- c) the date when performance was effected based on the relevant contract.

_____ The transaction date can also be the date when a receivable or payable arises, changes or ceases to exist, and when other matters to be included in the accounting records occur.

Securities

_____ In accordance with the Fund's strategy, all securities are classified as 'held for trading'. During the accounting period, securities are re-measured to fair value on a daily basis pursuant to Finance Ministry Regulation no. 207/2004 Coll., on determination of fair value of the assets and liabilities of a collective investment fund and the determination of current value of shares of participation certificates of a collective investment fund (henceforth the "Regulation"). The differences between the acquisition cost of securities and the cost determined under the above Regulation are recorded to the balance sheet account 'Gains or losses from revaluation.' Pursuant to the Regulation, securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the rules set out in the Regulation. If the value is not determinable on this basis, the Fund uses a value determined by the Company with due care and diligence, i.e. the values are determined using valuation models based on discounted future cash flows according to the rate of return calculated with reference to the Reuters and Condor+ systems.

_____ Securities are initially measured at cost. The acquisition cost includes direct transaction costs related to the acquisition of securities.

_____ The difference between the cost and nominal value of the purchased debt securities is amortized, using the straight line method, through interest income in the income statement from the moment of the securities' acquisition through their maturity.

_____ Upon the sale of securities, only the difference between the selling price and the cost of the sold securities determined using the weighted arithmetic average is recorded to income and expense accounts. Realized capital gains and losses are charged through the profit and loss account component 'Profit or loss from financial transactions'.

_____ The accrued interest income on purchased debt securities in the amount set out in the issuing conditions is recorded to a special sub-ledger account of assets. The interest income accrued over the holding period

is included in the value of the debt securities and is posted to a special sub-ledger asset account with a corresponding entry to interest income.

Other Receivables

_____ The Fund records receivables arising from its transactions with securities, receivables from positive fair values of derivatives and other operating receivables.

_____ According to the principle of prudence, outstanding receivables associated with dividends are provisioned in full after two years following the recognition of the claim. Further, such provisions are created against outstanding receivables associated with coupons due from insolvent issuers and against other bad debts.

Loans and Borrowings

_____ The Fund may accept loans under the conditions defined in the Act to cover a temporary lack of finances.

Financial Derivatives and Hedging Transactions

_____ In the normal course of business, the Fund enters into hedging contracts with financial derivatives to hedge against interest rate and foreign currency exposures associated with its transactions on financial markets.

_____ The Fund designates certain derivatives as hedges provided that the following criteria are met:

- > the Fund has developed a risk management strategy;
- > at the inception of the hedge, the hedging relationship is formally documented, the documentation identifies the hedged item and the hedging instrument, defines the risk that is being hedged and the approach to establishing whether the hedge is effective; and
- > the hedge is effective, that is, changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80 percent to 125 percent.

_____ Nominal values of derivative financial instruments are initially recognized in the off-balance sheet accounts. Changes in the fair value of derivatives that are designated and qualify as hedges (see above) are recorded in the balance sheet account 'Gains or losses from revaluation', which is included in equity. All financial derivatives are recorded as assets when fair value is positive and as liabilities when fair value is negative. Fair values are based on the valuation models.

_____ The balances recognized in the balance sheet are transferred to the profit and loss account and classified as income and expenses in the period in which the hedged asset or liability impacts the profit and loss account.

_____ Certain derivatives are embedded in compound financial instruments, which comprise the host instrument and the derivative. Pursuant to the applicable regulations, the Fund recognizes changes in assets and liabilities arising from the movements in rates or prices of securities or

changes in exchange rates through 'Gains or losses from revaluation'. Given that the assets of the Fund are valued at fair value, embedded derivatives were not accounted for separately in 2004.

Income Tax

Under effective tax regulations, the corporate income tax rate applicable to mutual funds is 5 percent. The accounting treatment of gains and losses from revaluation was changed starting from 1 January 2005. Securities are revalued through income and expense accounts. The balances of gains or losses from revaluation as of 31 December 2004 are transferred to accumulated profits or losses brought forward. Therefore, the deferred tax from gains or losses from revaluation was not computed as of 31 December 2004.

The deferred tax asset arising from tax losses of previous years is not accounted for due to the uncertainty regarding its realization in the future.

Foreign Currency Translations

Foreign currencies are translated using the exchange rate promulgated by the Czech National Bank as of the relevant date. As of the balance sheet date, assets and liabilities denominated in foreign currencies are translated on the same basis.

Foreign exchange rate gains and losses from the daily translation of assets and liabilities in foreign currencies are posted to equity.

Shareholders' Equity

The selling price of participation certificates is calculated as a proportion of the Fund's equity and the relevant number of participation certificates. Participation certificates are sold to investors using the selling price determined on a daily basis.

Share Premium

Share premium used to be recorded as a component of capital funds. Starting from 2003, it is disclosed separately. Comparative information for previous periods was appropriately adjusted (refer to the 'Statement of changes in equity').

Interest Income and Expense

Accrued interest relating to assets is included in the total balance of these assets. Beginning in 2004, interest income and expense also include gains or losses from hedging interest rate derivatives. Comparative information for previous periods was appropriately adjusted (refer to Note 5.9).

Adjustments Related to Prior Periods

Adjustments to the previous years' income and expenses are recorded as income or expenses in the current year's profit and loss account, unless they relate to significant errors.

4. Risk Management

Credit Risk

In accordance with the Statute and the investment strategy, the Company establishes rules and policies for selecting investment instruments such that the overall credit risk profile of allocated investments is consistent with the characteristics of the Fund. New types of instruments are approved on a case by case basis by the risk management function together with the specification of limits for positions pertaining to these instruments. Specific emphasis is placed on an appropriate rating structure and relatively elaborate diversification of portfolios (especially in relation to credit portfolios and their interest components).

Market Risk

The Fund uses a wide range of tools to eliminate risk exposures attached to its portfolios. Major attention is paid to market risks. Apart from statutory restrictions, the Fund is subject to a set of internal limits having a direct impact on the forex exposure, interest rate exposure (the modified duration range of the Fund), share allocation on individual markets according to their volatility, portfolio rating structure (see above), and other characteristics of the Fund. The relevant limits are appropriately applied to correspond with the type of Fund.

Whenever the Fund purchases new types of instruments, these instruments are first analyzed to assess the potential credit risk (see above), as well as the market risk that the instruments might bring to or help eliminate from the portfolio. Subsequently, their appropriateness and, if appropriate, the acceptable proportion of these instruments in the portfolio is evaluated.

The Fund monitors Value at Risk globally and also broken down to Foreign Exchange VaR, Interest Rate VaR and Equity VaR. Based on the above values, the Fund identifies critical risk segments. This identification influences the re-investment process. The limits set up the maximum acceptable VaR for the Fund.

Relative values of VaR in percentage for individual types of risks:

	31 December 2004	Average in 2003
Global VaR	0.86%	1.03%
Foreign Exchange VaR	0.59%	0.62%
Interest Rate VaR	0.09%	0.11%
Equity VaR	0.63%	0.79%

Relative risk exposure is calculated as a proportion of VaR (risk exposure in absolute terms) and the portfolio's market value. Relative VaR as of 31 December is determined with a 95% confidence level for 30 days. The 95% confidence level also applies to the average daily relative VaR determined for 30 days.

_____ Adherence to all the above limits and their effectiveness is monitored and assessed on an ongoing basis. The limits are reviewed, if necessary.

_____ The portfolio's risk of unfavorable development of foreign exchange rates, interest rates, and other market factors is hedged, to an appropriate extent, by financial derivatives. Financial derivatives are purchased or sold on the OTC market as this market enables the trading of contracts whose parameters and nature appropriately satisfy the requirements of a hedge. Portfolios primarily include currency swaps, currency forwards and interest rate swaps. Derivative positions are therefore opened exclusively for the purpose of hedging, as described above.

Liquidity Risk

_____ Liquidity risk is a risk that the Fund will not have enough disposable resources to meet its obligations arising from financial contracts. Liquidity is monitored and managed based on expected cash flows, with

appropriate adjustments made to the structure of securities and term placements portfolios.

_____ Pursuant to the Act, the Company is obliged to purchase a participation certificate without undue delay but not later than one month from the date when the repurchase right is claimed. Given that the Fund holds securities traded at foreign stock exchanges which can be realized within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

5. Additional Information on the Financial Statements

5.1. Receivables from Banks

Receivables from banks	2004	2003	2002
Current accounts	95,732	192,142	109,021
Total	95,732	192,142	109,021

_____ Current account balances are repayable on demand.

5.2. Securities

_____ Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to these Notes. All securities held by the Fund are publicly tradable at the Prague Stock Exchange or stock exchanges abroad.

Shares, participation certificates and other holdings	2004	2003	2002
Acquisition cost	78,344	-	81,628
Market revaluation	-1,456	-	-970
Total	76,888	-	80,658

Debt securities	2004	2003	2002
Acquisition cost	646,830	670,120	710,806
Market revaluation	836	2,905	4,476
Discount charged on an accrual basis, premium	-808	-6,612	-3,236
Accrued interest income	7,594	11,476	13,902
Total	654,452	677,889	725,948

_____ Of the aggregate volume of debt securities, debt securities maturing within one year, debt securities maturing within more than one year with a variable coupon and debt securities maturing within more than one year with a fixed coupon account for 50.66%, 42.76% percent and 6.58%, respectively.

5.3. Other Assets

Other assets	2004	2003	2002
Positive values of financial derivatives	838	226	40
Tax receivable	-	2,032	7,516
Other receivables	6,369	6,553	8,207
Provisions	-6,291	-6,396	-6,400
Total	916	2,415	9,363

Other receivables principally include a dividend receivable of CZK 6,282 thousand, provisioned prior to 2002 (see provisions).

5.4. Equity

In accordance with the accounting policies, the Fund has no share capital. The nominal value of a participation certificate is CZK 1. The total nominal value of all participation certificates is posted to 'Capital funds'.

Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded independently. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase.

The selling price of a participation certificate is determined as a proportion of the Fund's equity and the number of participation certificates issued.

The carrying value of a participation certificate as of 31 December 2004 totaled CZK 1.2757.

In line with the Statute of the Fund, the profit generated in 2002 (CZK 13,080 thousand) and 2003 (CZK 4,865 thousand) was transferred to the 'Reinvestment fund' which is included in 'Other funds from profit'.

The profit of CZK 18,031 thousand generated in 2004 will also be transferred to the 'Reinvestment fund' in accordance with the Statute.

Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Additions to the capital fund	Drawing from the fund to cover losses	Total capital funds
Balance at 31 Dec 2002	740,002,366	740,003	1,534,676	-320,363	1,954,316
Participation certificates sold	87,974,247	87,974	-	-	87,974
Participation certificates purchased	-133,402,906	-133,403	-	-	-133,403
Balance at 31 Dec 2003	694,573,707	694,574	1,534,676	-320,363	1,908,887
Participation certificates sold	44,660,874	44,660	-	-	44,660
Participation certificates purchased	-91,441,057	-91,441	-	-	-91,441
Balance at 31 Dec 2004	647,793,524	647,793	1,534,676	-320,363	1,862,106

Gains and Losses from Revaluation

	From assets and liabilities	From hedging derivatives	Total gains and losses from revaluation
Balance at 31 Dec 2002	3,011	40	3,051
Of which: debt securities	4,476	-	-
other assets and liabilities	-927	-	-
deferred tax	-538	-	-
Balance at 31 Dec 2003	2,705	262	2,967
Of which: debt securities	2,905	-	-
other assets and liabilities	-200	-	-
Balance at 31 Dec 2004	-1,727	709	-1,018
Of which: debt securities	836	-	-
other assets and liabilities	-2,563	-	-

5.5. Other Liabilities

Other liabilities	2004	2003	2002
Payables from management fees	895	871	923
Negative values of financial derivatives	145	-	-
Tax liability	297	-	-
Payables from shareholders' placements	4	1	51
Deferred tax liability	-	-	538
Other payables	172	99	284
Total	1,513	971	1,796

5.6. Accrued Expenses and Deferred Income

_____ Accrued expenses relate to the unbilled custody fee of CZK 90 thousand related to December 2004 (2003: CZK 73 thousand, 2002: CZK 146 thousand).

5.7. Financial Derivatives Posted as Hedging Derivatives

	Nominal value		Nominal value		Nominal value	
	2004 assets	2004 liabilities	2003 assets	2003 liabilities	2002 assets	2002 liabilities
Currency instruments						
Currency swaps	51,603	51,603	24,706	24,706	52,235	52,235
Interest rate instruments						
Interest rate swaps	9,987	9,987	9,987	9,987	-	-
Total	61,590	61,590	34,693	34,693	52,235	52,235

	2004 positive	Fair value 2004 negative	2003 positive	Fair value 2003 negative	2002 positive	Fair value 2002 negative
Currency instruments						
Currency swaps	581	-	3	-	40	-
Interest rate instruments						
Interest rate swaps	257	145	223	-	-	-
Total	838	145	226	-	40	-

_____ Currency derivatives are due within one year. Interest rate derivatives are due in more than one year.

5.8. Interest Income and Expense

	2004	2003	2002
Income			
Interest on deposits at banks	2,275	3,180	5,813
Interest on debt securities	22,108	28,560	38,659
Interest on hedging derivatives	243	108	-
Total	24,626	31,848	44,473
Expense			
Interest on hedging derivatives	304	145	-
Total	304	145	-

_____ Beginning in 2003, interest income and expense also include gains or losses from hedging interest rate derivatives.

5.9. Income from Shares and Holdings

	2004	2003	2002
Local dividends	-	-	496
Dividends abroad	5,093	1,086	531
Other income	-	-	82
Total received dividends	5,093	1,086	1,109

5.10. Fees and Commissions

	2004	2003	2002
Management fees	11,067	10,817	16,945
Custody fees	1,083	1,068	1,978
Commissions and fees from securities trading	549	349	407
Amounts paid to the Securities Center	543	77	31
Administration of securities	325	187	117
Other fees and commissions	55	83	71
Total	13,622	12,581	19,549

_____ In compliance with the Statute of the Fund, the management fee paid to the Company in 2004 amounted to 1.30% of the average annual equity value.

_____ Pursuant to the custody service contract entered into with Česká spořitelna, a. s., the Fund paid a fee equal to 0.12% of its average annual equity value until 30 April 2004. Starting from 1 May 2004, the fee equals 0.11% of the Fund's average annual equity value increased by the standard VAT rate.

5.11. Profit or Loss from Financial Operations

	2004	2003	2002
Profit (loss) from securities held for trading	2,516	-16,827	-17,577
Profit (loss) from derivatives	2,071	1,835	1,697
Profit (loss) from FX differences	-1,567	-51	484
Total	3,020	-15,043	-15,396

_____ Profit or loss from derivatives relates to the profit or loss arising from the settlement of fixed term transactions with currency instruments.

_____ Profit or loss from foreign exchange rate differences relates to the amount of realized foreign exchange rate differences on foreign currency accounts and from the settlement of foreign receivables and payables.

5.12. Administrative Expenses

Administrative expenses	2004	2003	2002
Audit	139	137	68
Total	139	137	68

5.13. Income Tax**Main income tax components are:**

	2004	2003	2002
Tax payable – current year	764	109	80
Tax payable – previous year	-	54	-
Total income tax	764	163	618

_____ The Fund began to account for deferred tax in 2002. Deferred tax liability in 2002 totalled CZK 538 thousand.

Current income tax – analysis:

	31 December 2004
Profit/(loss) before tax	18,795
Items to add	1,547
Deductible items	5,356
Other – tax losses carried forward	14,985
Tax base	0
Tax on tax base	0
Dividends abroad	5,092
Tax on dividends abroad	764
Additional tax payments	0
Total tax	764

5.14. Related Party Transactions

_____ Related parties include Česká spořitelna, a. s. and the Company.

	2004	2003	2002
Payables from management fees – ISČS, a. s.	895	871	923
Custody fee for December 2004 not yet billed – ČS, a. s.	90	73	146
Other payables to related parties	81	77	99
Total	1,066	1,021	1,168

_____ The costs charged to the Fund by Česká spořitelna, a. s. in 2004 totaled CZK 2,014 thousand (2003: CZK 1,338 thousand, 2002: CZK 2,158 thousand), of which the greatest portion was represented by the custody fee of CZK 1,083 thousand (2003: CZK 1,068 thousand, 2002: CZK 1,978 thousand). The annual management fee charged by the Company amounted to CZK 11,067 thousand (2003: CZK 10,817 thousand, 2002: CZK 16,945 thousand).

5.15. Liquidity

_____ The following table shows residual maturity of assets broken down by major types. Given that all securities are traded on public markets, sales can be effected within three months.

	Less than 3 months	3 months– –1 year	1–5 years	Over 5 years	Not specified	Total
Receivables from banks	95,732	–	–	–	–	95,732
Debt securities	183,030	148,507	282,975	39,940	–	654,452
Shares and participation certificates	–	–	–	–	76,888	76,888
Other assets	78	–	–	–	838	916
Total assets	278,840	148,507	282,975	39,940	77,726	827,988

5.16. Off-balance Sheet Assets and Liabilities

_____ The item 'Assets provided into custody, administration, and safekeeping' relates to local and foreign securities administered by ČS, a. s.

5.17. Contingent Assets and Liabilities

_____ The Fund has no assets or liabilities that were not disclosed in the balance sheet or off-balance sheet records.

5.18. Compliance with Section 24 (1) to (5) of Act No. 248/1992 Coll.

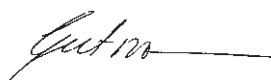
_____ As of 31 December 2004, the Fund did not breach the limit set under Section 24 (1) to (5) of Act no. 248/1992 Coll., as amended.

5.19. Subsequent Events

_____ On 28 January 2005, the Company filed a petition with the Securities Commission regarding the change of the Statute of the Fund resulting from its transformation to a standard fund complying with the requirements of European Community law and in connection with bringing the Statute in line with the Collective Investing Act no. 189/2004 Coll.



Petr Zapletal
Chairman of the Board of Directors
Investiční společnost České spořitelny, a. s.



Guntard Gutmann
member of the Board of Directors
Investiční společnost České spořitelny, a. s.

Portfolio at 31 December 2004

ISIN	Name of the security	No.	Market value	Total market value	Total market accrued interest income
CH0005819724	CIBA SPECIALTY CHEMICALS AG	3,400	1,707.94	5,807,004.50	0.00
ES0132105018	ACERINOX S.A.	5,800	359.79	2,086,791.57	0.00
IE0000197834	ALLIED IRISH BANKS PLC	11,000	465.20	5,117,206.05	0.00
ES0113790234	BANCO POPULAR ESPANOL SA	4,400	1,477.55	6,501,231.00	0.00
DE0005190003	BAYERISCHE MOTOREN WERKE AG	4,000	1,011.44	4,045,752.00	0.00
DE0007100000	DAIMLER CHRYSLER AG	2,000	1,074.20	2,148,391.80	0.00
GRS434003000	PUBLIC POWER CORPORATION	2,400	627.58	1,506,189.60	0.00
GB0032310780	BOOTS GROUP PLC	14,000	283.28	3,965,932.32	0.00
GB0001625572	CABLE-WIRELESS	80,000	51.54	4,122,806.40	0.00
GB00B02RYQ29	DX Services PLC	5,950	158.17	941,114.83	0.00
GB0000444736	EMI GROUP PLC	30,000	114.52	3,435,672.00	0.00
GB0003833695	GALLAHER GROUP PLC	13,000	342.05	4,446,710.32	0.00
GB0030646508	GKN PLC	29,000	102.21	2,963,969.36	0.00
GB0004161021	HAYS PLC	119,000	53.70	6,389,809.72	0.00
GB0030587504	HBOS PLC	6,200	366.47	2,272,124.42	0.00
GB0031274896	MARKS AND SPENCER GROUP PLC	14,000	148.23	2,075,232.32	0.00
GB0002369139	REUTERS GROUP PLC	20,000	163.14	3,262,808.00	0.00
GB0007908733	SCOTTISH AND SOUTHERN ENERGY PLC	6,600	377.06	2,488,593.36	0.00
NO0005052605	NORSK HYDRO ASA	1,400	1,764.42	2,470,192.20	0.00
NO0010096985	STATOIL ASA	7,000	351.41	2,459,835.00	0.00
SE0000242455	FORENINGSSPARBANKEN AB	15,000	558.73	8,380,920.00	0.00
Foreign shares				76,888,286.77	0.00
CZ0000000070	AHOLD NV VAR/05	3,000	9,955.00	29,865,000.00	275,600.00
CZ0003501355	CESKY TELECOM 3.5/08	10	992,600.00	9,926,000.00	166,250.00
CZ0003501306	CESKY TELECOM 4.55/05	500	10,105.00	5,052,500.00	104,270.83
CZ0003501223	CP LEASING VAR/15-11-05	45	1,002,682.30	45,120,703.32	254,250.00
CZ0003501199	SKODA AUTO VAR/10	300	99,080.00	29,724,000.00	158,400.00
Local bonds after 1. 1. 1998 – corporate				119,688,203.32	958,770.83
XS0150494135	AIG SUNAMERICA IF VAR/08	800	24,675.00	19,740,000.00	253,222.22
XS0149802372	BANK AUSTRIA ZLB VAR/07	800	24,997.19	19,997,749.58	3,066.67
XS0153063275	BG ENERGY VAR/07	200	100,550.00	20,110,000.00	214,500.00
XS0109961630	BGB IRELAND 6.75/05	600	25,253.15	15,151,890.00	724,006.85
XS0098999872	BMW FINANCE NV 7.75/05	4,000	5,135.25	20,541,000.00	770,694.44
XS0196002033	DANONE FINANCE 4.15/09-07-07	100	101,950.00	10,195,000.00	201,736.11
XS0155793663	DEUTSCHE TELECOM VAR/05	1,000	10,122.48	10,122,479.41	106,875.00
XS0174316256	DEXIA CREDIT LOCAL BARR-SKK/EUR	20	537,400.00	10,748,000.00	196,875.00
XS0134333052	FORD CREDIT EUROPE BANK VAR/06	400	24,562.50	9,825,000.00	19,200.00
XS0162832314	FORTIS FINANCE VAR/08	200	100,000.00	20,000,000.00	209,188.89
XS0157691576	GE CAPITAL CORP. VAR/07	100	101,150.00	10,115,000.00	41,272.22
XS0206971482	GE CAPITAL CORP. VAR/09-12-09	100	100,090.00	10,009,000.00	16,744.44
XS0142320521	GENERAL MOTORS AUSTR. 5.75/02-05	400	25,026.25	10,010,500.00	515,300.55
XS0109794395	GENERAL MOTORS CANADA 7/05	400	25,167.43	10,066,970.00	504,383.56
XS0203467955	GOLDMAN SACHS VAR/25-10-11	100	100,017.17	10,001,717.08	55,833.33
XS0161364848	HBOS-TS VAR/08	20	1,000,615.09	20,012,301.82	240,300.00
XS0203603211	ING VERZEKERING IN VAR/02-11-09	1	10,020,000.00	10,020,000.00	46,544.44
XS0188829575	LANDSBANKI ISLANDS VAR/31-03-09	2	5,016,849.39	10,033,698.78	80,500.00

ISIN	Name of the security	No.	Market value	Total market value	Total market accrued interest income
FR0010136358	LVMH VAR/02-12-09	1	10,071,345.17	10,071,345.17	23,602.78
XS0126007474	MONUMENT GLOBAL FUNDING 5.75/05	1,520	25,122.30	38,185,896.00	1,736,027.40
XS0175980316	MORGAN STANLEY VAR/09-08	10	1,004,500.00	10,045,000.00	95,422.22
XS0147735251	RWE VAR/05-07	1,000	10,050.00	10,050,000.00	33,583.33
XS0191878536	SNS BANK VAR/11-05-09	200	50,043.54	10,008,708.35	40,555.56
XS0146802763	VIVENDI ENVIRONNEMENT VAR/09 I	100	100,992.32	10,099,231.86	57,225.00
XS0103421128	CEZ FINANCE 7.25/06 (EUR)	680	32,769.62	22,283,339.10	296,270.04
XS0195517684	DAIMLER CHRYSLER NA 2.57/07	500	30,537.20	15,268,601.03	96,811.01
XS0181638023	FORD CREDIT AUSTR. VAR/05-01-07	200	30,714.81	6,142,962.60	55,188.37
XS0195560262	GENERAL MOTORS AC VAR/30-06-09	200	29,432.24	5,886,447.30	580.36
Foreign bonds - corporate				384,741,838.08	6,635,509.79
20508439	050805 MF CZ0001001002	10	984,647.46	9,846,474.59	0.00
20701437	070105 MF CZ0001000988	43	999,528.89	42,979,742.14	0.00
21103443	110305 MF CZ0001001051	40	995,254.85	39,810,194.12	0.00
21802440	180205 MF CZ0001001010	30	996,682.40	29,900,471.88	0.00
52103009	210305 CKA II	20	994,576.38	19,891,527.52	0.00
Local treasury bills				142,428,410.25	0.00
Total portfolio				723,746,738.42	7,594,280.62

Auditor's Report to the Shareholders of the Fund Investiční společnost České spořitelny, a. s., – Výnosový otevřený podílový fond

Having its registered office at: Praha 1, Staré Město, Na Perštýně 342/1

Identification number: 44796188

Principal activities: open - ended mutual fund

We have audited the accompanying financial statements of the fund Investiční společnost České spořitelny, a. s., – Výnosový otevřený podílový fond for the year ended 31 December 2004. These financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on the financial statements, taken as a whole, based on our audit.

We conducted our audit in accordance with the Act on Auditors and the auditing standards issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and conduct the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, the accounting records and other evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Company in the preparation of the financial statements, as well as evaluation of the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion on the financial statements.

In our opinion, the financial statements give a true and fair view, in all material respects, of the assets, liabilities, equity and financial position of the fund Investiční společnost České spořitelny, a. s., – Výnosový otevřený podílový fond as of 31 December 2004 and of the results of its operations for the year then ended in accordance with the Accounting Act and applicable Czech regulations.

In Prague on 14 March 2005



Audit firm:

Deloitte s. r. o.

Certificate no. 79

Represented by:

Michal Petrman, statutory executive



Statutory auditor:

Michal Petrman

Certificate no. 1105

Balance Sheet as at 31 December 2004

Assets (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Receivables from banks	01	206,367	381,136	42,541
of which: a/current accounts	02	206,367	318,038	42,541
b/term deposits	03		63,098	
c/repo transactions	04			
2 Receivables from non-banking entities	05			
of which: repo transactions	06			
3 Debt securities	07	638,426	512,940	716,215
a/issued by the government	08	510,377	364,447	439,997
b/issued by other entities	09	128,049	148,493	276,218
4 Shares, unit certificates and other participation interests	10	169,292	162,123	25,975
5 Other assets	11	847	98	11,602
a/derivatives	12	182		
b/receivables from securities trading	13			
c/receivables from taxes	14	358	35	8,123
d/other assets	15	307	63	3,479
6 Deferred expenses and accrued income	16		66	
Total assets	17	1,014,932	1,056,363	796,333

Liabilities (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Payables to banks	18			
of which: repo transactions	19			
2 Payables to non-banking entities	20			
of which: repo transactions	21			
3 Other liabilities	22	13,788	13,141	18,748
a/derivatives	23		121	
b/liabilities from securities trading	24			
c/liabilities from taxes	25			
d/other liabilities	26	13,788	13,020	18,748
4 Deferred income and accrued expenses	27	109	84	123
5 Reserves	28			
of which: for taxes	29			
6 Share premium	30	-877,803	-841,324	-903,310
7 Other funds from profit	31	273,226	207,606	183,409
8 Capital funds	32	1,542,972	1,647,833	1,458,820
9 Gains or losses from revaluation	33	11,998	-36,597	14,346
a/from assets and liabilities	34	11,816	-36,476	14,346
b/from hedging derivatives	35	182	-121	
10 Retained earnings or accumulated losses from previous periods	36			
11 Profit or loss for the accounting period	37	50,642	65,620	24,197
Total liabilities	38	1,014,932	1,056,363	796,333
of which: equity	39	1,001,035	1,043,138	777,462

Off Balance Sheet Accounts at 12/31/2004

Off balance sheet assets (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Amounts due from repo transactions	01			
2 Amounts due from fixed term transactions	02	30,196	64,688	
a/with interest rate instruments	03			
b/with currency instruments	04	30,196	64,688	
3 Receivables written off	05	1,272	1,211	1,149
4 Assets provided into custody, administration and safekeeping	06	807,718	504,732	180,373
of which: securities	07	807,718	504,732	180,373
5 Received guarantees and collateral	08			
6 Amounts owed from fixed term transactions	09	30,196	64,688	
a/with interest rate instruments	10			
b/with currency instruments	11	30,196	64,688	

Profit and Loss Account for the Year Ended 12/31/2004

Item (in thousands CZK)	Line	Result in accounting period		
		Current	Previous 1	Previous 2
1 Interest income and similar income	01	44,654	43,638	45,945
of which: a/interest income from bonds	02	32,976	29,580	34,051
b/interest from repo transactions	03			
2 Interest expenses and similar expenses	04			6
3 Income from shares and unit certificates	05	4,815	4,576	173
4 Commission and fee expenses	06	15,459	14,775	20,192
a/fees and commissions from securities trading	07	611	1,063	154
b/administrative fee	08	12,437	11,934	17,840
c/custody fee	09	1,216	1,173	2,033
d/other financial expenses	10	1,195	605	165
5 Profit or loss on financial operations	11	19,951	37,402	-1,305
of which: a/profit or loss on transactions with securities	12	12,836	40,136	-1,290
b/profit or loss on foreign exchange transactions and options	13	6,565	974	-15
c/profit or loss on fixed term transactions and options	14	550	-3,708	
6 Other operating income	15			
7 Other operating expenses	16		900	
8 Administrative expenses	17	141	135	69
a/audit	18	141	135	69
b/other administrative expenses	19			
9 Release of provisions against receivables and income from receivables written off	20	100		
10 Depreciation and creation of provisions against receivables	21	100		100
11 Ordinary profit or loss for the accounting period before tax	22	53,820	69,806	24,446
12 Extraordinary income	23			
13 Extraordinary expenses	24			
14 Extraordinary profit or loss for the accounting period before tax	25			
15 Income tax	26	3,178	4,186	249
16 Profit or loss for the accounting period after tax	27	50,642	65,620	24,197

Statement of Changes in Equity for the Year Ended 12/31/2004

Assets (in thousands CZK)	Line	Current	Previous 1	Previous 2
1 Share premium	01			
opening balance	02	-841,324	-903,310	-825,065
issued unit certificates	03	22,072	108,303	43,022
repurchase of unit certificates	04	-58,587	-46,317	-121,267
other changes	05	36		
closing balance	06	-877,803	-841,324	-903,310
2 Retained earnings	07			
opening balance	08	207,606	183,409	21,399
transfers to funds	09	65,620	24,197	162,010
other changes	10			
closing balance	11	273,226	207,606	183,409
3 Capital funds	12			
opening balance	13	1,647,833	1,458,820	1,729,723
issued unit certificates	14	54,689	338,190	155,229
repurchase of unit certificates	15	-159,550	-149,177	-426,132
transfers to funds	16			
other changes	17			
closing balance	18	1,542,972	1,647,833	1,458,820
4 Gains or losses from revaluation	19			
opening balance	20	-36,597	14,346	-18,340
foreign exchange rate differences and gains or losses from revaluation	21	48,595	-50,943	32,686
closing balance	22	11,998	-36,597	14,346
5 Retained earnings or accumulated losses from previous periods	23			
opening balance	24			
other changes	25			
closing balance	26			
6 Profit (loss) for the current period after taxes	27			
opening balance	28	65,620	24,197	162,010
profit (loss)	29	50,642	65,620	24,197
transfers to funds, dividends	30	-65,620	-24,197	-162,010
closing balance	31	50,642	65,620	24,197
7 Total	32	1,001,035	1,043,138	777,462

Notes to the Financial Statements for the Year Ended 31 December 2004

1. Background Information and Principle Operations

Incorporation and Description of the Fund

Investiční společnost České spořitelny a. s. – Výnosový otevřený podílový fond (hereinafter the “Fund”) was established upon the transformation of Spořitelni privatizační – Výnosový investiční fond a. s. under Resolution of Securities Commission ref. no. 211/14 557/R/1999 dated 22 September 1999 and was incorporated as of 1 December 1999.

Pursuant to a concluded contract, Česká spořitelna, a. s. acts as the depository of the Fund.

The Fund is managed by Investiční společnost České spořitelny a. s. (hereinafter the “Company”). In accordance with the Act no. 189/2004, Coll., the Company is responsible for the management of the assets of the Fund, which involves the administration and care of the assets.

As of 1 May 2004, the Collective Investing Act No. 189/2004 (hereinafter the “Act”) took legal effect. Section 140 of this Act invalidates the Investment Companies and Funds Act No. 248/1992 Coll. Pursuant to the provisions of Section 136 (4) and (8) and Section 84 (14) of the Act, the current Statute of the Fund remains in force during the transition period until the new Statute becomes effective (no later than 30 April 2005); this also applies to the references to the provisions of the Act no. 248/1992 Coll. made in the Statute and the related legal regulations.

Registered Office

Investiční společnost České spořitelny, a. s.,
– Výnosový otevřený podílový fond
Praha 1, Staré Město, Na Perštýně 342/1

Principal Operations

The Fund collects finance of individuals and corporate entities for the Fund by issuing participation certificates with the purpose of their collective investment on local and foreign money and capital markets. No restrictions are placed on the number of participation certificates for issue and their selling period.

The Fund conducts its operations solely on the territory of the Czech Republic.

Investments Policy

Finances collected by the Fund are invested in shares, bonds, money market instruments and other debt securities permitted by the Act.

The Fund's portfolio is also expanded by purchasing participation certificates of open-ended mutual funds and securities of foreign entities engaged in collective investing if their objectives and investment policy are not in conflict with the objectives of the Fund.

The equity weight, the currency weight and the average period to maturity are actively managed to reflect the anticipated future develop-

ments on financial markets in a manner ensuring that the objectives of the Fund are met.

The Fund may use financial derivatives to hedge against interest rate and foreign currency exposures and against the risks associated with the unfavorable development of prices on stock markets.

In making investments for the Fund's portfolio, preference is given to purchasing debt securities issued by issuers with an investment grade credit rating assigned by Standard & Poor's or Moody's.

The objective of the Fund is to exceed, on a long-term basis, the income of bond funds through active changes of the portfolio's equity weight, currency structure and the average period to maturity of the debt portion of the portfolio. In managing the Fund, focus is placed on the aggregate achieved return. The Fund does not seek to exceed a particular comparative index.

2. Basis of Preparation of the Financial Statements

The financial statements have been prepared on the basis of underlying accounting records maintained in accordance with the Accounting Act 563/1991 Coll., and applicable regulations, decrees and internal standards in compliance with and in the scope defined in the Czech Finance Ministry Regulation no. 501/2001 of 6 November 2002, as subsequently amended, which sets out the overall framework for the presentation of the financial statements, and guidelines for the structure and minimum requirements for the content of the financial statements of banks and certain financial institutions, and Czech Accounting Standards, which establish the accounting principles and policies for financial institutions.

The information disclosed for the two immediately preceding accounting periods is reported in line with the requirements of the year to which the financial statements relate.

The Fund is obliged to comply with the regulatory requirements of the Act.

The accounting records are maintained in compliance with general accounting principles, specifically the accruals principle, the prudence concept and the going concern assumption.

The financial statements contain the balance sheet, profit and loss account, off balance sheet records, statement of changes in equity, and notes to the financial statements.

The preparation of the financial statements requires that the Fund make estimates which have an impact on the reported amounts of assets and liabilities as well as expenses and income in the relevant accounting period. These estimates are based on information available as of the date of the financial statements and may differ from the actual results.

These financial statements are unconsolidated.

_____ All figures are stated in thousands of Czech crowns (CZK), unless indicated otherwise.

3. Accounting Methods Applied

Transaction Date

_____ Purchases and sales of securities are recognized upon conclusion of the related contract (the trade date) provided that the period between the trade date and the fulfillment of the commitment arising from the contract does not exceed a period typical for the relevant type of transaction.

_____ The transaction date for derivative contracts is:

- a) the date upon which the related contract was entered into;
- b) the date when the fair value of the derivative changed; and
- c) the date when performance was effected based on the relevant contract.

_____ The transaction date can also be the date when a receivable or payable arises, changes or ceases to exist, and when other matters to be included in the accounting records occur.

Securities

_____ In accordance with the Fund's strategy, all securities are classified as 'held for trading'. During the accounting period, securities are re-measured to fair value on a daily basis pursuant to Finance Ministry Regulation No. 207/2004 Coll., on determination of fair value of the assets and liabilities of a collective investment fund and the determination of current value of shares of participation certificates of a collective investment fund (henceforth the "Regulation"). The differences between the acquisition cost of securities and the cost determined under the above Regulation are recorded to the balance sheet account 'Gains or losses from revaluation.' Pursuant to the Regulation, securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the rules set out in the Regulation. If the value is not determinable on this basis, the Fund uses a value determined by the Company with due care and diligence, i.e. the values are determined using valuation models based on discounted future cash flows according to the rate of return calculated with reference to the Reuters and Condor+ systems.

_____ Securities are initially measured at cost. The acquisition cost includes direct transaction costs related to the acquisition of securities. Securities acquired prior to this date were initially valued at purchase cost.

_____ The difference between the cost and nominal value of the purchased debt securities is amortized, using the straight line method, through the income statement from the moment of the securities' acquisition through their maturity.

_____ Upon the sale of securities, the difference between the selling price and the cost of the sold securities determined using the weighted arithmetic average is recorded to income and expense accounts. Realized

capital gains and losses are charged through the profit and loss account component 'Profit or loss from financial transactions'.

_____ The accrued interest income on purchased debt securities in the amount set out in the issuing conditions is recorded to a special sub-ledger account of assets. The interest income accrued over the holding period is included in the value of the debt securities and is posted to a special sub-ledger asset account with a corresponding entry to interest income.

Repo Transactions

_____ The sale of securities with a concurrent agreement to repurchase and the purchase of securities with a concurrent agreement to re-sell are recognized as acceptance (provision) of a loan collateralized by a transfer of securities.

_____ Securities provided as a loan and securities under repo transactions are accounted for on independent sub-ledger accounts of general accounts in which they were posted prior to being provided as a loan or in a repo transaction.

Other Receivables

_____ The Fund records receivables arising from its transactions with securities, receivables from positive fair values of derivatives and other operating receivables.

_____ According to the principle of prudence, outstanding receivables associated with dividends are provisioned in full after two years following the recognition of the claim. Further, such provisions are created against outstanding receivables associated with coupons due from insolvent issuers and against other bad debts and against other bad debts.

Loans and Borrowings

_____ The Fund may accept loans under the conditions defined in the Act to cover a temporary lack of finances.

Financial Derivatives and Hedging Transactions

_____ In the normal course of business, the Fund enters into hedging contracts with financial derivatives to hedge against interest rate and foreign currency exposures associated with its transactions on financial markets.

_____ The Fund designates certain derivatives as hedges provided that the following criteria are met:

- > the Fund has developed a risk management strategy;
- > at the inception of the hedge, the hedging relationship is formally documented, the documentation identifies the hedged item and the hedging instrument, defines the risk that is being hedged and the approach to establishing whether the hedge is effective; and
- > the hedge is effective, that is, changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or

cash flows of the hedging instrument and the results are within a range of 80 percent to 125 percent.

_____ Nominal values of derivative financial instruments are initially recognized in the off-balance sheet accounts. Changes in the fair value of derivatives that are designated and qualify as hedges (see above) are recorded in the balance sheet account 'Gains or losses from revaluation', which is included in equity. All financial derivatives are recorded as assets when fair value is positive and as liabilities when fair value is negative. Fair values are based on the valuation models.

_____ The balances recognized in the balance sheet are transferred to the profit and loss account and classified as income and expenses in the period in which the hedged asset or liability impacts the profit and loss account.

_____ Certain derivatives are embedded in compound financial instruments, which comprise the host instrument and the derivative. Pursuant to the applicable regulations, the Fund recognizes changes in assets and liabilities arising from the movements in rates or prices of securities or changes in exchange rates through 'Gains or losses from revaluation'. Given that the assets of the Fund are valued at fair value, embedded derivatives were not accounted for separately in 2004.

Income Tax

_____ Under effective tax regulations, the corporate income tax rate applicable to mutual funds is 5 percent.

_____ The accounting treatment of gains and losses from revaluation was changed starting from 1 January 2005. Securities are revalued through income and expense accounts. The balances of gains or losses from revaluation as of 31 December 2004 are transferred to accumulated profits or losses brought forward. Therefore, the deferred tax from gains or losses from revaluation was not computed as of 31 December 2004.

_____ The deferred tax asset arising from tax losses of previous years is not accounted for due to the uncertainty regarding its realization in the future.

Foreign Currency Translations

_____ Foreign currencies are translated using the exchange rate promulgated by the Czech National Bank as of the relevant date. As of the balance sheet date, assets and liabilities denominated in foreign currencies are translated on the same basis.

_____ Foreign exchange rate gains and losses from the daily translation of assets and liabilities in foreign currencies are posted to equity.

Shareholders' Equity

_____ The selling price of participation certificates is calculated as a proportion of the Fund's equity and the relevant number of participation certificates. Participation certificates are sold to investors using the selling price determined on a daily basis.

Share Premium

_____ Share premium used to be recorded as a component of capital funds. Starting from 2003, it is disclosed separately. Comparative information for previous periods was appropriately adjusted (refer to the 'Statement of changes in equity').

Interest Income and Expense

_____ Accrued interest relating to assets is included in the total balance of such assets.

Adjustments Related to Prior Periods

_____ Adjustments to the previous years' income and expenses are recorded as income or expenses in the current year's profit and loss account, unless they relate to significant errors.

4. Risk Management

Credit Risk

_____ In accordance with the Statute and the investment strategy, the Company establishes rules and policies for selecting investment instruments such that the overall credit risk profile of allocated investments is consistent with the characteristics of the Fund. New types of instruments are approved on a case by case basis by the risk management function together with the specification of limits for positions pertaining to these instruments. Specific emphasis is placed on an appropriate rating structure and diversification of portfolios (especially in relation to credit portfolios and their interest components).

Market Risk

_____ The Fund uses a wide range of tools to eliminate risk exposures attached to its portfolios. Major attention is paid to market risks. Apart from statutory restrictions, the Fund is subject to a set of internal limits having a direct impact on the forex exposure, interest rate exposure (the modified duration range of the Fund), share allocation on individual markets according to their volatility, portfolio rating structure (see above), and other characteristics of the Fund. The relevant limits are appropriately applied to correspond with the type of Fund.

_____ Whenever the Fund purchases new types of instruments, these instruments are first analyzed to assess the potential credit risk (see above), as well as the market risk that the instruments might bring to or help eliminate from the portfolio. Subsequently, their appropriateness and, if appropriate, the acceptable proportion of these instruments in the portfolio is evaluated.

_____ The Fund monitors Value at Risk globally and also broken down to Foreign Exchange VaR, Interest Rate VaR and Equity VaR. Based on the above values, the Fund identifies critical risk segments. This identification

influences the re-investment process. The limits set up the maximum acceptable VaR for the Fund.

_____ Relative values of VaR in percentage for individual types of risks:

	31 December 2004	Average in 2004
Global VaR	3.16%	3.49%
Foreign Exchange VaR	2.74%	2.82%
Interest Rate VaR	0.68%	0.68%
Equity VaR	1.16%	1.84%

_____ Relative risk exposure is calculated as a proportion of VaR (risk exposure in absolute terms) and the portfolio's market value. Relative VaR as of 31 December is determined with a 95% confidence level for 30 days. The 95% confidence level also applies to the average daily relative VaR determined for 30 days.

_____ Adherence to all the above limits and their effectiveness is monitored and assessed on an ongoing basis. The limits are reviewed, if necessary.

_____ The portfolio's risk of unfavorable development of foreign exchange rates and other market factors is hedged, to an appropriate extent, by financial derivatives. Financial derivatives are purchased or sold on the OTC market as this market enables the trading of contracts whose

parameters and nature appropriately satisfy the requirements of a hedge. Portfolios primarily include currency swaps, currency forwards and interest rate swaps. Derivative positions are therefore opened exclusively for the purpose of hedging, as described above.

Liquidity Risk

_____ Liquidity risk is a risk that the Fund will not have enough disposable resources to meet its obligations arising from financial contracts. Liquidity is monitored and managed based on expected cash flows, with appropriate adjustments made to the structure of securities and term placements portfolios.

_____ Pursuant to the Act, the Company is obliged to purchase a participation certificate without undue delay but not later than one month from the date when the repurchase right is claimed. Given that the Fund holds securities traded at foreign stock exchanges which can be realized within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

5. Additional Information on the Financial Statements

5.1. Receivables from Banks

Receivables from banks	31 Dec 2004	31 Dec 2003	31 Dec 2002
Current accounts	206,367	318,038	42,541
Term deposits	-	63,098	-
Total	206,367	381,136	42,541

_____ Current account balances are repayable on demand.

5.2. Securities

_____ Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to these Notes. All securities held by the Fund are publicly tradable at the Prague Stock Exchange or stock exchanges abroad. Participation certificates which are not tradable at stock exchanges are purchased and administered by the Company.

Shares, participation certificates and other holdings	2004	2003	2002
Acquisition cost	161,002	153,471	31,113
Market revaluation	8,290	8,652	-5,138
Total	169,292	162,123	25,975

Debt securities	31 Dec 2004	31 Dec 2003	31 Dec 2002
Acquisition cost	616,284	545,508	686,428
Market revaluation	5,692	-41,634	22,012
Discount charged on an accrual basis, premium	-607	-5,071	-3,399
Accrued interest income	17,057	14,137	11,174
Total	638,426	512,940	716,215

_____ Of the aggregate volume of debt securities, debt securities maturing within one year, debt securities maturing within more than one year with a variable coupon and debt securities maturing within more than one year with a fixed coupon account for 5.51%, 65.53% and 28.96%, respectively.

5.3. Other Assets

Other assets	31 Dec 2004	31 Dec 2003	31 Dec 2002
Tax receivable	358	35	8,123
Positive fair values of derivatives	182	-	-
Other receivables	1,531	1,375	4,791
Provisions	-1,224	-1,312	-1,312
Total	847	98	11,602

_____ Other receivables relate to the receivables from local and foreign dividends. Provisions were created in previous periods in line with the methodology set out in Note 3.

5.4. Equity

_____ In accordance with the accounting policies, the Fund has no share capital. The nominal value of a participation certificate is CZK 1. The total nominal value of all participation certificates is posted to 'Capital funds'.

_____ Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded independently. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase.

_____ The selling price of a participation certificate is determined as a proportion of the Fund's equity and the number of participation certificates issued.

_____ The carrying value of a participation certificate as of 31 December 2004 was CZK 1.4647.

_____ In line with the Fund's Statute, the profit for 2002 (CZK 24,197 thousand) and 2003 (CZK 65,620 thousand) was transferred to the 'Reinvestment fund' which is included in 'Other funds from profit'.

_____ The profit of CZK 50,642 thousand generated in 2004 will also be transferred to the 'Reinvestment fund' in accordance with the Statute.

Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Additions to the capital fund	Total capital funds
Balance at 31 Dec 2002	599,304,936	599,305	859,515	1,458,820
Participation certificates sold	338,190,459	338,190	-	338,190
Participation certificates purchased	-149,177,472	-149,177	-	-149,177
Balance at 31 Dec 2003	788,317,923	788,318	859,515	1,647,833
Participation certificates sold	54,688,978	54,689	-	54,689
Participation certificates purchased	-159,549,679	-159,550	-	-159,550
Balance at 31 Dec 2004	683,457,222	683,457	859,515	1,542,972

_____ Additions to the capital fund relate to contributions that arose upon the transformation of the Fund (refer to Note 1).

Gains and Losses from Revaluation

	From assets and liabilities	From hedging derivatives	Total gains and losses from revaluation
Balance at 31 Dec 2002	14,346	-	14,346
Of which: debt securities	22,012	-	-
other assets and liabilities	-5,134	-	-
deferred tax	-2,532	-	-
Balance at 31 Dec 2003	-36,476	-121	-36,597
Of which: debt securities	-41,634	-	-
other assets and liabilities	5,158	-	-
Balance at 31 Dec 2004	11,816	182	11,998
Of which: debt securities	5,692	-	-
other assets and liabilities	6,124	-	-

5.5. Other Liabilities

Other liabilities	31 Dec 2004	31 Dec 2003	31 Dec 2002
Payables from management fees	1,084	1,043	1,134
Payables from shareholders' placements	554	32	2,635
Deferred tax liability	-	-	2,532
Negative values of financial derivatives	-	121	-
Other liabilities	12,150	11,945	12,447
Total	13,788	13,141	18,748

_____ Other payables include, among other amounts, dividends of CZK 11,699 thousand relating to 1997 which have not been paid to the Fund's former shareholders.

5.6. Accrued Expenses and Deferred Income

_____ Accrued expenses relate to the unbilled custody fee of CZK 109 thousand related to December 2004 (2003: CZK 84 thousand; 2002: CZK 123 thousand).

5.7. Income from Shares and Holdings

	2004	2003	2002
Local dividends	170	2,608	173
Dividends abroad	4,645	1,968	-
Total received dividends	4,815	4,576	173

5.8. Financial Derivatives Posted as Hedging Derivatives

	Nominal value		Nominal value		Nominal value	
	2004 assets	2004 liabilities	2003 assets	2003 liabilities	2002 assets	2002 liabilities
Currency instruments						
Currency swaps	30,196	30,196	64,688	64,688	-	-

	2004 positive	Fair value 2004 negative	2003 positive	Fair value 2003 negative	2002 positive	Fair value 2002 negative
Currency instruments						
Currency swaps	182	-	-	121	-	-

_____ Currency derivatives are due within one year.

5.9. Interest Income and Expense

Income	2004	2003	2002
Interest on deposits at banks	11,678	14,058	11,894
Interest on debt securities	32,976	29,580	34,051
Total	44,654	43,638	45,945

Expense	2004	2003	2002
Interest on overdraft account	-	-	6
Total	-	-	6

5.10. Fees and Commissions

	2004	2003	2002
Management fees	12,437	11,934	17,840
Custody fees	1,216	1,173	2,033
Commissions and fees from securities trading	611	1,063	154
Amounts paid to the Securities Center	550	84	29
Administration of securities	570	435	79
Other fees and commissions	75	86	57
Total	15,459	14,775	20,192

_____ In compliance with the Statute of the Fund, the management fee paid to the Company amounts to 1.30% of the average annual equity value of the Fund.

_____ Pursuant to the custody service contract entered into with Česká spořitelna, a. s., the Fund paid a fee equal to 0.12% of its average annual equity value until 30 April 2004. Starting from 1 May 2004, the fee equals 0.11% of the Fund's average annual equity value increased by the standard VAT rate.

5.11. Profit or Loss from Financial Operations

	2004	2003	2002
Profit (loss) on securities held for trading	12,836	40,136	-1,290
Profit (loss) from derivatives	550	-3,708	-
Profit (loss) from FX differences	6,565	974	-15
Total	19,951	37,402	-1,305

_____ Profit or loss from derivatives relates to the profit or loss arising from the settlement of fixed term transactions.

_____ Profit or loss from foreign exchange rate differences relates to the amount of realized foreign exchange rate differences on foreign currency accounts and from the settlement of foreign receivables and payables.

5.12. Administrative Expenses

	2004	2003	2002
Audit	141	135	69
Total	141	135	69

5.13. Income Tax**Main Income Tax Components:**

	2004	2003	2002
Tax payable – current year	3,157	4,186	249
Tax payable – previous year	21	-	-
Total income tax	3,178	4,186	249

Current Income Tax – Analysis:

	31 Dec 2004
Profit/(loss) before tax	53,820
Items to add	831
Deductible items	4,858
Tax base	49,793
Tax on tax base	2,489
Dividends abroad	4,452
Tax on dividends abroad	668
Additional tax payments	21
Total tax	3,178

5.14. Related Party Transactions

_____ Related parties include Česká spořitelna, a. s. and the Company.

	2004	2003	2002
Payables from management fees – ISČS, a. s.	1,084	1,043	1,134
Custody fee for December 2004 not yet billed – ČS, a. s.	109	84	123
Other payables to related parties	267	81	77
Total	1,460	1,208	1,334

_____ The costs charged to the Fund by Česká spořitelna, a. s. in 2004 totaled CZK 2,472 thousand (2003: CZK 2,745 thousand, 2002: CZK 2,181 thousand), of which the greatest portion is represented by the custody fee of CZK 1,216 thousand (2003: CZK 1,173 thousand, 2002: CZK 2,033 thousand). The annual management fee charged by the Company amounted to CZK 12,437 thousand (2003: CZK 11,934 thousand, 2002: CZK 17,840 thousand).

5.15. Liquidity

_____ The following table shows residual maturity of assets broken down by major types. Given that all securities are traded on public markets, sales can be effected within three months.

	Less than 3 months	3 months– –1 year	1–5 years	Over 5 years	Not specified	Total
Receivables from banks	206,367	-	-	-	-	206,367
Debt securities	-	35,164	399,883	203,379	-	638,426
Shares and participation certificates	-	-	-	-	169,292	169,292
Other assets and deferred expenses and accrued income	307	358	-	-	182	847
Total assets	206,674	35,522	399,883	203,379	169,474	1,014,932

5.16. Off-Balance Sheet Assets and Liabilities

_____ The item 'Assets provided into custody, administration and safekeeping' relates to local and foreign securities administered by Česká spořitelna, a. s.

5.17. Contingent Assets and Liabilities

_____ The Fund has no assets or liabilities that were not disclosed in the balance sheet or off-balance sheet records as of 31 December 2004.

5.18. Compliance with Section 24 (1) to (5) of Act No. 248/1992 Coll.

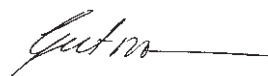
_____ As of 31 December 2004, the Fund did not breach the limit set under Section 24 (1) to (5) of Act no. 248/1992 Coll., as amended.

5.19. Subsequent Events

_____ On 28 January 2005, the Company filed a petition with the Securities Commission regarding the change of the Statute of the Fund resulting from its transformation to a standard fund complying with the requirements of European Community law and in connection with bringing the Statute in line with the Collective Investing Act no. 189/2004 Coll.



Petr Zapletal
Chairman of the Board of Directors
Investiční společnost České spořitelny, a. s.



Guntard Gutmann
member of the Board of Directors
Investiční společnost České spořitelny, a. s.

Portfolio at 31 December 2004

ISIN	Name of the security	No.	Market value	Total market value	Total market accrued interest income
CS0005046655	MEZ	27,450	0.00	0.00	0.00
CH0012005267	NOVARTIS AG	3,000	1,131.39	3,394,165.50	0.00
CH0012332372	SWISS REINSURANCE/ SCHW.RUECKVERS	2,010	1,601.32	3,218,652.20	0.00
NL0000405173	ZENTIVA BV	13,000	757.60	9,848,800.00	0.00
LU0140205948	ARCELOR	2,000	516.99	1,033,982.10	0.00
DE0005151005	BASF AG	1,500	1,614.65	2,421,967.50	0.00
DE0005190003	BAYERISCHE MOTOREN WERKE AG	2,400	1,011.44	2,427,451.20	0.00
FR0000131104	BNP PARIBAS	1,150	1,623.78	1,867,352.18	0.00
DE0005557508	DEUTSCHE TELECOM NPV	5,000	507.24	2,536,211.25	0.00
SE0000108656GR	ERICSSON GR	37,000	71.59	2,648,931.75	0.00
FR0000133308	FRANCE TELECOM	3,400	742.13	2,523,233.16	0.00
NL0000303600	ING GROEP N.V.	3,900	678.15	2,644,788.51	0.00
NL0000009538	KONINKLIJKE PHILIPS ELECTRONICS	4,200	594.37	2,496,363.03	0.00
FI0009000681	NOKIA OYJ	5,400	354.00	1,911,617.82	0.00
AT0000743059	OMV AG	1,550	6,753.79	10,468,368.07	0.00
GRS434003000	PUBLIC POWER CORPORATION	3,000	627.58	1,882,737.00	0.00
DE0007236101	SIEMENS AG	950	1,900.41	1,805,386.37	0.00
FR0000130809	SOCIETE GENERALE	2,200	2,268.12	4,989,862.35	0.00
FR0000120271	TOTAL COMPANY	1,050	4,895.73	5,140,511.78	0.00
GB0031348658	BARCLAYS BANK PLC	8,000	253.25	2,025,966.08	0.00
GB0007980591	BP PLC	18,900	219.54	4,149,254.59	0.00
GB0009252882	GLAXOSMITHKLINE PLC	11,100	528.10	5,861,904.67	0.00
GB0007547838	ROYAL BANK OF SCOTLAND GROUP PLC	3,800	757.14	2,877,148.42	0.00
GB0007192106	VODAFONE GROUP PLC	49,000	61.04	2,991,087.40	0.00
HU0000072640	BORSOD CHEM	30,500	229.17	6,989,534.33	0.00
HU0000069232	DEMASZ	7,040	1,908.68	13,437,079.04	0.00
HU0000068952	MAGYAR OLAJ-ES GAZIPARI	4,000	1,575.28	6,301,109.60	0.00
HU0000073507	MATAV RT.	98,000	107.21	10,506,393.80	0.00
HU0000061726	OTP BANK	17,800	686.63	12,221,971.28	0.00
PLGTC0000037	GLOBE TRADE CENTRE	4,932	790.65	3,899,505.53	0.00
PLPKO0000016	POWSZECHNA KASA OSZ. BANK POLSKI	7,300	207.36	1,513,729.46	0.00
PLTLKPL00017	TELEKOMUNIKACJA POLSKA	37,000	147.69	5,464,463.40	0.00
US72917Q2021	PLIVA DD (GDR)	10,000	279.56	2,795,625.00	0.00
Foreign shares				144,295,154.37	0.00
CZ0000000070	AHOLD NV VAR/05	3,500	9,955.00	34,842,500.00	321,533.33
CZ0003501355	CESKY TELECOM 3.5/08	10	992,600.00	9,926,000.00	166,250.00
CZ0003700767	CSPO VAR/2014	3	10,014,200.00	30,042,600.00	406,433.33
CZ0003501199	SKODA AUTO VAR/10	100	99,080.00	9,908,000.00	52,800.00
Local bonds after 1. 1. 1998 – corporate				84,719,100.00	947,016.66
CZ0001000814	SD 3.7/13	6,000	9,789.00	58,734,000.00	1,196,333.33
CZ0001000822	SD 4.6/18	8,800	10,216.00	89,900,800.00	1,484,266.67
Local bonds after 1. 1. 1998 – state				148,634,800.00	2,680,600.00
XS0174316256	DEXIA CREDIT LOCAL BARR-SKK/EUR	40	537,400.00	21,496,000.00	393,750.00
XS0185557609	ERSTE BANK BARR-PLN/EUR	1	10,465,400.00	10,465,400.00	183,050.00
XS0134333052	FORD CREDIT EUROPE BANK VAR/06	400	24,562.50	9,825,000.00	19,200.00

ISIN	Name of the security	No.	Market value	Total market value	Total market accrued interest income
Foreign bonds – corporate				41,786,400.00	596,000.00
HU0000402193	HUNGARIAN GB 5.5/02-14C	10,000	1,105.21	11,052,101.62	601,583.09
HU0000402102	HUNGARIAN GB 6.25/06-08C	80,000	1,174.37	93,949,197.12	3,429,572.64
PL0000102869	POLISH GB 5.75/06-08	8,000	7,361.23	58,889,819.42	1,786,072.89
PL0000101259	POLISH GB 6/05-09	13,000	7,420.81	96,470,528.96	3,522,691.55
PL0000102679	POLISH GB 8.5/05-07	8,000	7,829.41	62,635,311.52	3,237,819.07
PL0000102331	POLISH GB 8.5/11-06	3,000	7,743.92	23,231,756.65	255,343.03
Foreign bonds – state				346,228,715.29	12,833,082.27
IE0008471009	ISHARES DJ EURO STOXX 50	2,200	902.68	1,985,891.49	0.00
IE0008470928	ISHARES DJ STOXX 50	21,500	848.76	18,248,230.35	0.00
US4642868487	ISHARES MSCI JAPAN INDEX FUND	19,500	244.23	4,762,403.10	0.00
Foreign participation certificates				24,996,524.94	0.00
Total portfolio				790,660,694.60	17,056,698.93

Addresses of the Main Sales Points of ISČS Products

_____ In 2004, ISČS offered its mutual funds Česká spořitelna, a. s. in 650 branches.

Benešov

Tyršova 162, 256 56

Beroun 2

Politických vězňů 183, 266 64

Blansko

Smetanova 3, 678 38

Brno

Jánská 6, 601 55

Brno

Kounicova 4, 602 00

Břeclav

Národních hrdinů 7, 690 58

Česká Lípa

Hrnčířská 2985, 470 17

České Budějovice

U Černé věže 1, 370 26

Děčín 1

Pohraniční 1385/14, 405 93

Domažlice

Msgre. B. Staška 264, 344 01

Frydek-Místek

Na Poříčí 596, 738 16

Havlíčkův Brod

Havlíčkovo nám. 168, 580 27

Hodonín

Národní třída 44, 695 01

Hradec Králové

tř. ČSA 402, 502 00

Chrudim

Palackého tř. 801, 537 26

Jablonec nad Nisou

Mírové nám. 13, 466 28

Jihlava

Křížová 1, 586 23

Jindřichův Hradec

Nádražní 187/II, 377 12

Karlovy Vary

tř. TGM 14, 361 18

Karviná

K. Sliwky 8a/50, 733 21

Kladno

nám. Svobody 2003, 272 01

Klatovy 1

nám. Míru 152, 339 18

Kolín 1

Rubešova 50, 280 14

Kralupy nad Vltavou

Husova 579, 278 47

Kroměříž

Velké nám. 43, 767 18

Kutná Hora

Masarykova 645, 284 12

Liberec 2

Felberova 12/9, 461 98

Litoměřice

Mírové nám. 14, 412 96

Mladá Boleslav

nám. Míru 47, 293 51

Most

Bankovní 1300, 434 57

Náchod

Karlovo nám. 179, 547 25

Nová Paka

Masarykovo nám. 3, 509 01

Nový Jičín

Štefánikova 13, 741 11

Olomouc

tř. Svobody 19, 771 05

Opava

nám. Republiky 15, 746 71

Ostrava

nám. Dr. E. Beneše 6, 702 70

Pardubice

Palackého 1908, 531 07

Pelhřimov

Masarykovo nám. 30, 393 14

Písek

Alšovo nám. 178, 397 39

Pízeň

Františkánská 15, 305 09

Poděbrady

Riegrovo nám. 4, 290 49

Praha 1

Václavské nám. 26, 111 21

Praha 1

Rytířská 29, 111 21

Praha 10

Vršovické nám. 67/8, 101 37

Praha 2

Jugoslávská 19, 120 24

Praha 3

Vinohradská 112, 130 31

Praha 4

Zdislavická 583, 140 18

Praha 4

Budějovická 1912, 140 21

Praha 4

Sofijské nám. 3404, 143 00

Praha 5

Štefánikova 17/247, 150 31

Praha 6

Vítězné nám. 9, 160 42

Praha 7

Strossmayerovo nám. 1, 170 21

Praha 8

Sokolovská 1, 186 53

Praha 9

Verneřická 408, 190 32

Prostějov

Žižkovo nám. 17, 796 98

Přerov

Palackého 16, 750 11

Příbram

Milínská 166, 261 22

Rakovník

Husovo nám. 2347, 269 17

Roudnice nad Labem

Karlovo nám. 22, 413 12

Strakonice

Velké náměstí 55, 386 12

Svitavy

nám. Míru 34, 568 15

Šumperk

Hlavní třída 25, 787 69

Tábor

tř. 9. května 518, 390 02

Teplice

Kapelní 1, 415 46

Třebíč

Soukopova 139, 674 26

Trutnov

Krakonošovo nám. 20, 541 01

Turnov

nám. Českého ráje 94, 511 15

Uherské Hradiště

Dvořákova 1210, 686 55

Ústí nad Labem

Mírové nám. 2, 400 58

Ústí nad Orlicí

Mírové nám. 87, 562 12

Zlín

Zarání 4463, 761 65

Znojmo

Pontassievská 1, 669 02

Žďár nad Sázavou

nám. Republiky 23, 591 54

Investiční společnost České spořitelny, a. s.

Praha 1, Staré Město, Na Perštýně 342/1, PSČ 110 00

IČ: 44796188

DIČ: 004-44796188

Telephone: 222 180 111

Fax: 222 180 135

Information line: 800 207 207

E-mail: iscs@iscs.cz

Internet: www.iscs.cz

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