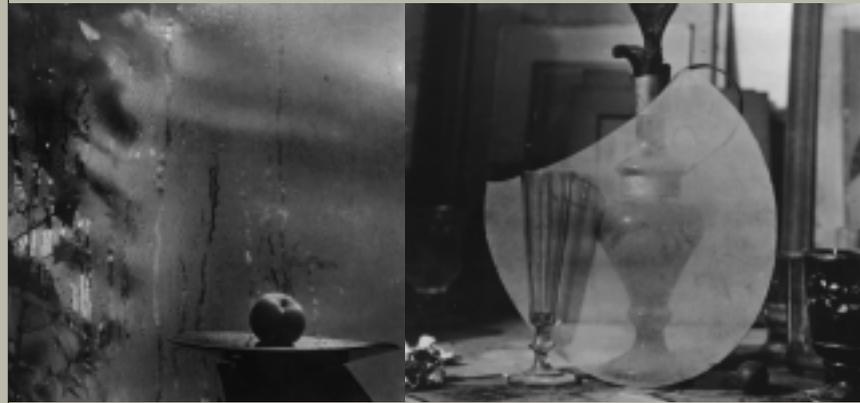






The values of our past



www.sudek-atelier.cz



are a gift to our future

Human striving is ephemeral. Only a small fraction of what we create lasts for any significant length of time. These are works of the soul and of the hands, whose true value lies in their timelessness. It is worth the expense, skill and hours upon hours of patient, painstaking work to preserve these works for the present as well as the future. The preservation of monuments linked to our past is an expression of our respect and love for the history and art that surrounds us at every step.

The restoration of the photography studio of Josef Sudek, the world-famous Czech photographer, is one of the fruits of many years of careful, respectful work on preserving the heritage of a man who, with his camera, recorded for many years the transformation of Prague over time, as well as the faces of people who, had they not been captured on Sudek's negatives, would have disappeared long ago under the sands of time. The studio of Josef Sudek at number 30, Újezd Street in Prague had been in a state of neglect and disrepair for many years and then almost completely destroyed in a fire. Only a few artifacts remained of the once famous studio that once had been a sought-after meeting place for many of Sudek's contemporaries.

Thanks to over twenty years of dedicated work by art historian Dr. Anna Fárová, who carefully gathered together and preserved Sudek's estate, the work of Josef Sudek was saved. However, the space in which most of the artist's works came to light was – seemingly – lost forever.

Until 2000, that is, when an exact replica of the original studio was completed, bringing once again to life the place that for fifty years had been synonymous with Sudek's life and work, the place where he found the creative inspiration for works such as *The Window of My Studio* (1940-1954), *A Walk Through My Garden* (1944-1953), and *The Garden of My Studio* (1950-1958) series, which today are world famous.

The studio replica was initiated and financed by PPF, which succeeded in rebuilding the studio in its original form, floorplan, even down to the photo studio equipment as known all over the world from the artists' photographs. The construction of the studio replica and landscaping work around it followed carefully both surviving photographic evidence as well as available artifacts, some of which have been returned to their old locations in the restored studio.

This entire project is more than a tribute to the work of a great Czech photographer, Josef Sudek. It is also a dream come true for many experts on his work both here and abroad who now have the chance to see, in its original form, the place where the photographs reproduced here in this Annual Report were made.

flexibility

people in a team





life is like a walk through a gallery...

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**chairman's
statement**

flexibility

people in a team

in 2000, PPF's strategy of operating primarily in the financial services sector and developing business activities in the retail area led to dynamic growth in both existing and new projects



Dear friends,

Like in years past, thanks to its performance PPF Group has retained its position as one of the largest financial groups in the Czech Republic. Over its 10 years in business, PPF has built itself into a successful company that is capable of thriving in an atmosphere of heavy competition and reinforcing its position in the Czech market. The yardsticks for measuring PPF's success as a financial investor are earnings, effective management, returns on and increases in the internal value of its investments, shareholdings, and acquisitions. PPF Group's success in business and comprehensive offering of financial services in all areas of the Czech capital markets – collective investment through mutual funds, asset management, management of strategic and portfolio investments and real estate – are pre-conditions for further expansion in new activities.

In 2000, PPF's strategy of operating primarily in the financial services sector and developing business activities in the retail area led to dynamic growth in both existing and new projects.

The development of the Czech capital market and of the economy, both in the Czech Republic and worldwide, have a major influence on PPF's decision-making processes in conjunction with financial investments, allocation of funds, and future acquisitions. After years of stagnation, the Czech economy started to grow in 2000. GDP expanded by 3.1% and inflation stayed relatively low (4%). Inflows of foreign capital and investments from more advanced Western countries were a major catalyst encouraging economic growth.

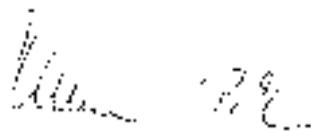
The Czech equity market, however, was unable to capitalize on the positive changes in the economy, and declined 2.3% for the year. This decline was caused in particular by heavy losses in the U.S. capital markets, where a record drop of 40% caused foreign investors to lose interest in and leave the Czech capital market. So, to a considerable extent the development of the domestic equity market and the stocks traded there was influenced by privatization processes ongoing in the banking, electricity, telecommunications, and gas sectors.

Another, no less important factor in the activities of the PPF Financial Group was the commencement of the process of harmonizing Czech legislation with European Union law and standards. From PPF's vantage point, the most significant progress made was the amendment of the Commercial Code in the law governing groups of companies, allowing for more transparent ownership relationships and putting in place direct lines of control with clearly defined powers and responsibilities. Since PPF a.s. has been authorized to exercise shareholder rights on behalf of entities acting in concert which own shares of Česká pojišťovna representing over 50% of that company's registered capital, PPF's management company, PPF a.s. changed its system of control mechanisms to bring it into compliance with the new law governing groups of companies provisions set forth in an amendment to the Commercial Code. In December, 2000, PPF a.s. entered into control agreements with Česká pojišťovna a.s. and ČP finanční servis a.s. and its relationship with respect to these entities is that of a controlling entity.

In this manner, PPF a.s. became one of the first companies in the Czech Republic to take advantage of the law governing groups of companies provisions set forth in the Commercial Code amendment, and the company has every right to be considered a pioneer in this area in the Czech Republic. Of course, in advanced Western countries, the use governing groups of companies law is standard. Thanks to the transparent way it sets forth for describing ownership links between companies, it has made a major contribution to strengthening the credibility of the companies and corporate groupings that use it.

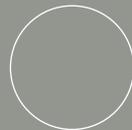
The newly reorganized relationships between the management company, PPF a.s., and the entities it controls are bringing advantages particularly in the trading area. The individual companies have more room to concentrate on developing and supporting their own business policies and effectively running their activities. The focus on each company's own activities and narrower specialization in each given business area leads to improved quality of products and services offered and reinforces these entities' market competitiveness. This is demonstrated by years of successful performance by PPF's specialized companies. 2000 is the third year that they have been operating in a holding structure as part of the PPF Group and they are among the leading companies in their respective fields. PPF Group delivers long-term steady growth in assets under management and has proven effective at generating returns on the investments of its unitholders and shareholders. PPF's successes in 2000 create new possibilities for further development and expansion in the retail sector not just in the Czech Republic, but also in other companies of the Central and Eastern European region.

The successes and performance that the PPF Financial Group has achieved during its 10 years in business are a huge challenge for us as we head into the future. This is a challenge founded on the fundamental principles of professionalism, trustworthiness, honesty and quality. As we continue putting these principles into practice, our goal will be to ensure the further development and prosperity of PPF, and the satisfaction of our unitholders, shareholders, and business associates. I am confident that, in the years to come, we will build on our successes to date, and that our clients and associates will continue to favor us with their trust.

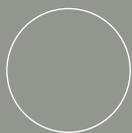


Petr Kellner
Chairman of the Board

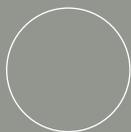
PPF Financial Group



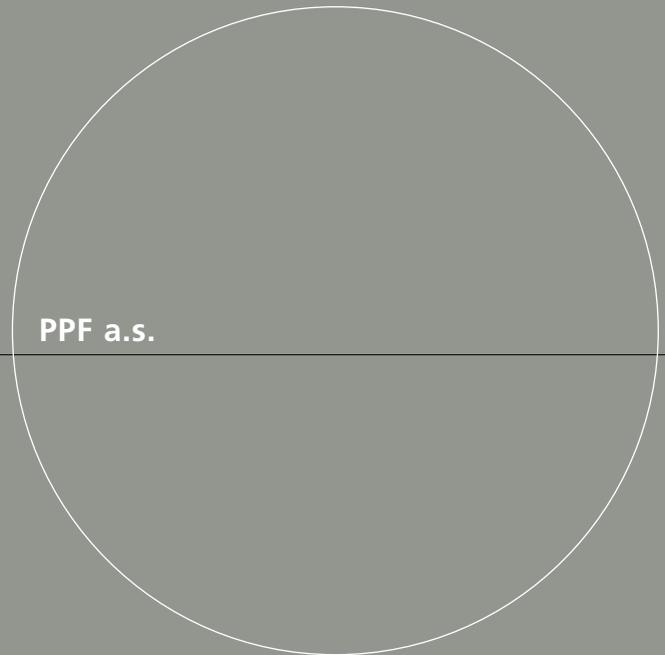
PPF burzovní společnost a.s.
(asset management, securities brokerage)



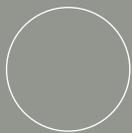
PPF investiční společnost a.s.
(collective investment)



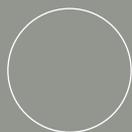
PPF Capital Management a.s.
(management of strategic investments)



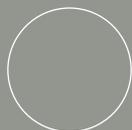
PPF a.s.



PPF majetková a.s.
(real estate management and development)



PPF CONSULTING a.s.
(management of portfolio investments)



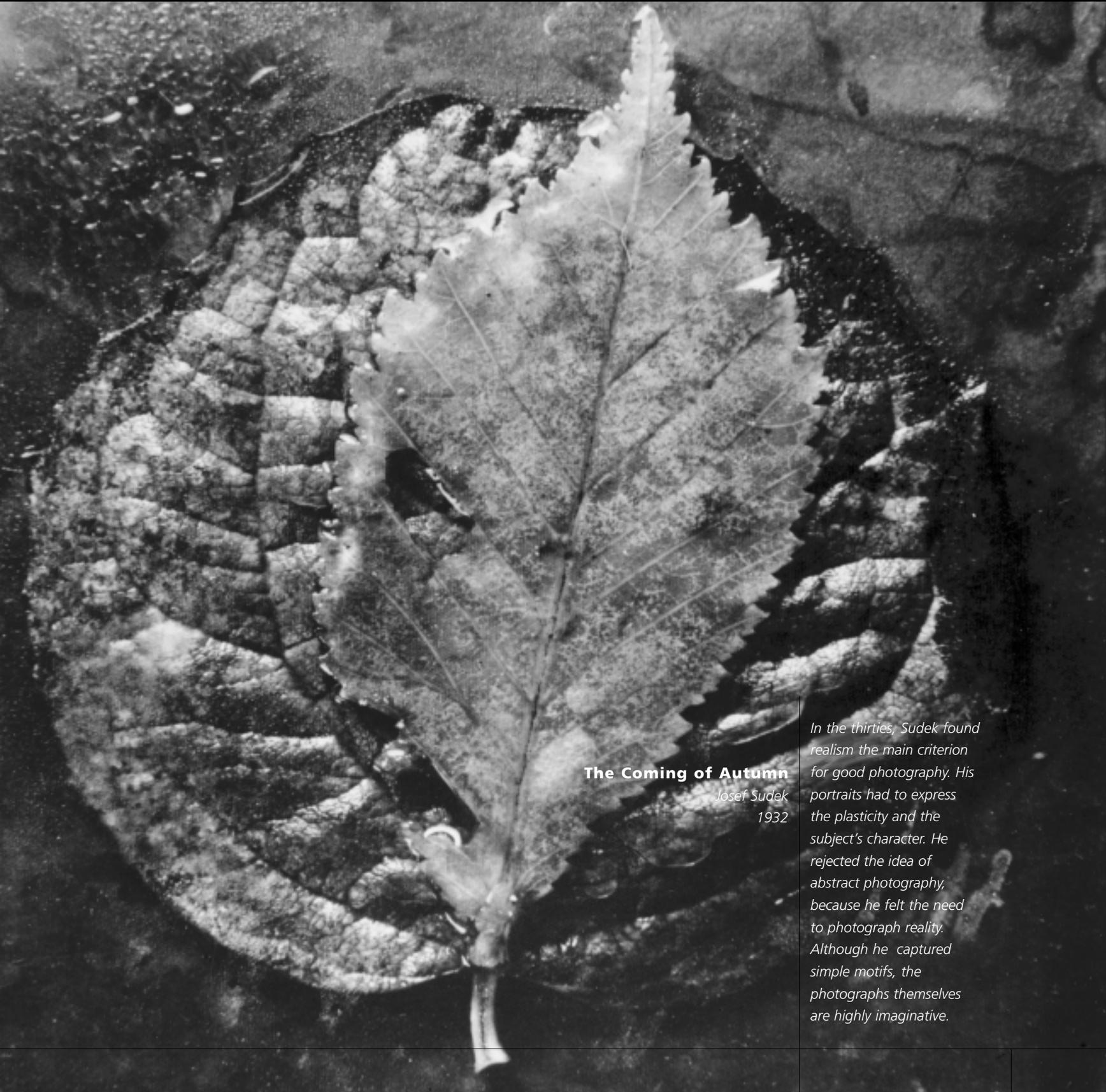
PPF (Cyprus) Ltd., PPF Financial Services Ltd.
(asset management, securities brokerage)

flexibility

flexibility

people in a team

...is sensitiveness to change, the ability to reflect on new circumstances. The first at the finish line, the ones that go the farthest and the highest, are those who are able to foresee change and make decisions quickly. In business, flexibility is a necessary attribute of every successful manager.



The Coming of Autumn

Josef Sudek
1932

In the thirties, Sudek found realism the main criterion for good photography. His portraits had to express the plasticity and the subject's character. He rejected the idea of abstract photography, because he felt the need to photograph reality. Although he captured simple motifs, the photographs themselves are highly imaginative.

Profile of PPF a.s.

PPF a.s.

Management Company of the PPF Financial Group

Date of inception:	18 November 1996
Address:	Na Pankráci 121, 140 21 Prague 4, Czech Republic
Registered capital:	CZK 420,000,000
Auditor for 2000:	KPMG Česká republika Audit, spol. s r.o.
Board of Directors:	Petr Kellner – Chairman Milan Maděryč – Vice Chairman Ladislav Bartoníček, MBA – Vice Chairman Ladislav Chvátal (since May 2001) Jan Blaško, MBA (since May 2001)
Supervisory Board:	Štěpán Popovič – Chairman (since May 2001) František Tlustoš Roupe Van der Vort (since May 2001)
Company management:	Ladislav Chvátal – Chief Executive Aleš Minx – Director of Finance and Company Proxy Václav Šrajcr, MBA – Director of Research Ivan Lackovič – Director of Marketing and Communication Petr Chajda – Director for Financial Strategy Jitka Tejnorová – Director of Personnel Ondřej Tyrpekl – Director of Information Systems Karel Kafka – Director of Controlling
Principal businesses:	Financial, research/analysis, marketing, communications, IT, legal and personnel services for the PPF Financial Group in the areas of collective investment, management of strategic and portfolio investments, securities brokerage, real estate management, and other assets

PPF Financial Group Senior Management

PPF a.s. Board of Directors



Petr Kellner | chairman of the board

Born in 1964; graduated from the Prague University of Economics in industrial economics in 1986. A founder of the PPF Group, he became Chairman of the Board and CEO of PPF investiční společnost a.s. in 1991. Following a restructuring of the Group in January, 1998, Kellner heads up the PPF Group as Chairman of the Board.



Milan Maděryč | vice chairman of the board

Born in 1955; attended the Industrial Secondary School and did postgraduate work at the Technical University of Brno. Starting in 1978 he was employed in the technical and investment development department of ZPS, a.s. Zlín; later became head of the company's trading division. Currently Maděryč is a Member of the Board of Česká pojišťovna, a.s.



Ladislav Bartoníček, MBA | vice chairman of the board

Born in 1964; a graduate of the Czech Technical University Faculty of Electrical Engineering. He joined PPF investiční společnost a.s. in 1991 as its Executive Director. He was awarded an MBA from The Rochester Institute of Technology, New York, in 1993. In 1996 he was appointed Chief Executive Officer of Česká pojišťovna a.s. He has been Chairman of the Board of Česká pojišťovna a.s. since June 2000.

Ladislav Chvátal | member of the board

Born in 1963; a graduate of the Prague University of Economics. After university Chvátal served as board member and personnel and administration director at AVIA Praha Letňany. From 1994 he held the office of Director of Marketing at PPF investiční společnost a.s. He was named director of PPF Capital Management a.s. in 1995. In December 1999 he was named Chief Executive of PPF a.s.

**Jan Blaško, MBA** | member of the board

Born in 1964; an electrical engineering graduate of the Czech Technical University in Prague. In 1992-1994 he worked at Investiční a Poštovní banka as head of the securities department. In 1994 he became director of the brokerage company Stratego Invest. Blaško was named director of PPF burzovní společnost a.s. in 1996. In November 1999 he was awarded an MBA by GSB University of Chicago. He has been a Member of the Board of Česká pojišťovna a.s. since June 2000.

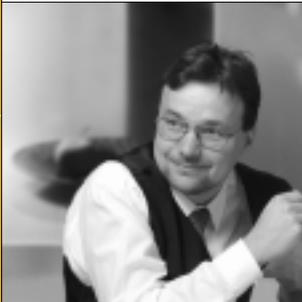


PPF a.s. Management



Ladislav Chvátal | chief executive

Born in 1963; a graduate of the Prague University of Economics. After university Chvátal served as board member and personnel and administration director at AVIA Praha Letňany. From 1994 he held the office of Director of Marketing at PPF investiční společnost a.s. He was named director of PPF Capital Management a.s. in 1995. In December 1999 he was named Chief Executive of PPF a.s.



Aleš Minx | director of finance

Born in 1964; a manufacturing economics graduate from the Prague University of Economics. In 1987-92 he was employed at PAL a.s. as head of the finance department. Minx joined PPF in 1992.



Václav Šrajfer, MBA | director of research

Born in 1947; graduated from Czech Technical University in Prague, Faculty of Nuclear and Physical Engineering, and completed two postgraduate courses. In 1972 – 92 he was employed in mechanical engineering research and development positions. In 1992 – 93 he studied at the U.S. Business School and was awarded an MBA by the Rochester Institute of Technology. Šrajfer has been with PPF since 1993.

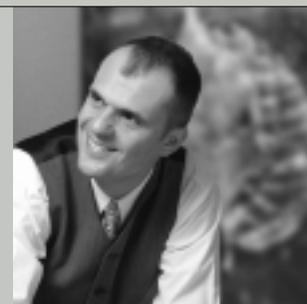


Ivan Lackovič | director of marketing and communication

Born in 1971; an economics and management graduate of the Prague Institute of Chemical Technology. During postgraduate studies, Lackovič did internships abroad in marketing, PR and logistics. He began his career as PR manager at Investiční kapitálová společnost Komerční banky, a.s. and became Director of Komerční banka's Communications Department in 1998. Lackovič joined PPF in 1999.

Petr Chajda | director for financial strategy

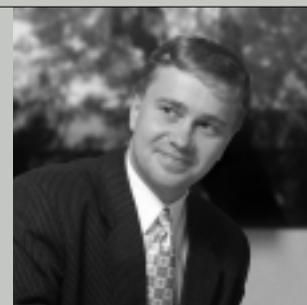
Born in 1967; a graduate of the Prague University of Economics, where he majored in Foreign Trade, as well as studies at the Diplomatic Academy in Madrid. After completing studies, he worked at KPMG as a consultant. In 1995-2000 he headed up PPF's business activities abroad.

**Jitka Tejnorová** | director of personnel

Born in 1971; a secondary school graduate in economics. Tejnorová has worked in human resources since 1994, first at R. J. Reynolds Tobacco in the human resources department and later as a consultant with Accord Group. Tejnorová joined PPF in 1999.

**Ondřej Tyrpekl** | director of information systems

Born in 1966; Tyrpekl graduated from the Czech Technical University's Electrical Engineering Faculty in Technical Cybernetics in 1989. After completing studies, he worked for Tesla Hloubětín in CAD systems development. Starting in 1991 he worked for truck manufacturer Daewoo Avia, first as an independent programmer/analyst and later as the company's head of information systems design. He joined PPF in August 2000.

**Karel Kafka** | director of controlling

Born in 1961, Kafka is a graduate of the Mechanical Engineering Faculty of the Czech Technical University. After completing studies, he joined ČKD Polovodiče a.s. Starting in 1991 he worked as head of the financial department of Živnostenská banka and then spent two years as director of controlling at Deutsche Bank Prague. Subsequently, he held the position of Finance Director at Hypo Bank CZ. In 1998-2000 he headed up Komerční banka's internal audit and controlling division. He has been with PPF since March 2001.



Management of Companies in the PPF Financial Group



Marcel Dostal | director of sales – PPF burzovní společnost a.s.

Born in 1969, Dostal is a graduate of the Civil Engineering Faculty of the Brno University of Technology. For two years he was employed with the consulting company Rollins Hudig Hall ČR s.r.o. Subsequently he joined Stratego Invest a.s., where he worked as head of the Corporate Finance department. He has been with PPF since 1997, first as analyst and deputy director and later, starting in 1998, as Director of Sales at PPF burzovní společnost a.s.



Jan Valdinger, LLB | chief executive – PPF investiční společnost a.s.

Born in 1945; a qualified lawyer starting his career with a leading City of London firm of Solicitors. He brings 18 years of investment banking experience to PPF, including five years with Morgan Grenfell in London and twelve years with Standard Chartered Group where, amongst other things, he headed their investment banking operations in India and later in the Far East, based in Hong Kong. Valdinger joined PPF in January 1996.



Zbyněk Štěřba | chief executive – PPF Capital Management a.s.

Born in 1966; a graduate of the Prague School of Economics in foreign trade. In 1988, Štěřba joined the Intersigma Foreign Trade Organization, where he went on to work in various capacities, from economics specialist to Chief Executive Officer and Chairman of the Board. He joined PPF Capital Management a.s. in January 1997 as a corporate revitalization and restructuring consultant and was named chief executive of PPF Capital Management a.s. on 1 January 2000.

Petr Javůrek

chief executive – PPF majetková a.s.

Born in 1963; graduate of the Czech Technical University Faculty of Construction. After graduation, Javůrek was employed in various professional and management positions. He was named director of Novota expert institute in 1993. Currently he is a member of Expert Committee of the Institute of Appraisal of the Prague University of Economics. Javůrek became chief executive of PPF majetková a.s. in 1996.

**Vladimír Burda**

chief executive – PPF CONSULTING a.s.

Born in 1952, Burda graduated from the Charles University Faculty of Mathematics and Physics and passed the board examinations in 1982. He was a lecturer at Charles University until 1995. In 1994 he worked as a consultant to the YSE investment fund. After obtaining a broker's license, he joined PPF burzovní společnost a.s. as a dealer, later becoming Head Broker. Following a sabbatical devoted to language studies, Burda joined PPF Securities a.s. as project manager, and was named chief executive in March 2000.

**Miroslav Horský**

chief executive – PPF (Cyprus) Ltd., PPF Financial Services Ltd.

Born in 1968, Horský graduated from the University of Economics in Bratislava, where he specialized in the economics of foreign trade. He also studied international financial markets at the Universidad Complutense in Madrid. After completing his studies, he worked as director of the education department at the Bratislava Options Exchange and later was active in the private sector in financial consulting. He joined PPF in 1997.



PPF a.s. Management Report

PPF a.s. is the management company for the entire PPF Financial Group. For three years now, the company has been organized as part of a holding structure. This type of organization allows the management of PPF a.s. to run the group effectively and includes commensurate decision-making and oversight mechanisms within the PPF Group a whole.

Effective Management of Investments

The organization of PPF as a holding structure fully reflects PPF's basic mission and role in the capital market in the Czech Republic. Since its inception, PPF has positioned itself as a financial investor whose aim is to ensure sustained, effective returns on both its own assets and those of its clients. In order for PPF to live up to this aim and thrive in the atmosphere of heavy competition that pertains in the Czech market, over the 10 years it has been in business it has established several specialized companies to cover various aspects of the asset management business – collective investment, management of strategic and portfolio investments, trading in domestic and foreign securities, and investing and management in the area of real estate. The narrow specialization of the individual companies allows PPF a.s. as the management company to manage its existing investments and future acquisitions very effectively and successfully.

• Collective Investment

PPF provides collective investment services through PPF investiční společnost a.s., which is one of the largest investment companies in the Czech Republic in terms of assets under management. Despite the poor performance of domestic and, even more so, foreign capital markets in 2000, our fund managers managed to achieve positive earnings results under Czech Accounting Standards. All three mutual funds (two closed-end funds and one open-end fund) posted profits for the year. The closed-end funds in particular succeeded in generating high profits. Thanks to this performance, the funds' income distribution to be paid to unitholders for the year 2000 will be the highest in their history.

Thanks to a prudent investment policy focused on boosting holdings of safe money market instruments, debt instruments, and high-quality foreign securities, the fund managers were able to stabilize the funds' portfolios and thereby shield the funds from any potential negative market influences. In addition, the creation of sufficient liquidity in the funds' portfolios is a necessity before they can be open-ended.

• Management of Strategic Investments

Since its inception, PPF has positioned itself as a strategic investor, whose aim has been to generate the best possible returns on its investments. The company of the PPF Financial Group that is in charge of managing strategic investments is PPF Capital Management a.s. As part of PPF's overall strategy, this company focuses on seeking out quality investment opportunities with the potential to generate good returns over the medium term.

• Asset Management

One of the most important areas of PPF's financial services is the management of assets both for the company and for outside clients. The company in charge of this activity is PPF burzovní společnost a.s., which has transitioned from being a traditional brokerage house to focusing on asset management for institutional investors, with brokerage services as a complementary business. The company caters to highly demanding institutional clients, to whom it offers tailor made services and an individualized approach. The long-term stability and solid performance of PPF burzovní společnost's client portfolio is the main reason behind the influx of more capital and new clients. During 2000 the company saw its assets under management jump by CZK 3.5 billion, or 37%, bringing the total assets under management as of year end 2000 to CZK 13.1 billion. The company's positive earnings (net profit CZK 22.2 million) also boosted the company's own shareholders' equity, which reached CZK 269.7 million at the end of 2000.

Similar services to those of PPF burzovní společnost (asset management, securities brokerage) are provided by PPF's foreign subsidiaries based in Cyprus – PPF (Cyprus) Ltd. and PPF Financial Services Ltd. Both companies provide financial services to investors who are interested in investing in the Czech capital market. The company then goes on to manage those investments and provides comprehensive services in administering them as well.

• Real Property Management and Development

PPF majetková a.s. was the first company in the Czech Republic to obtain a license to manage and develop real estate funds. This has allowed it to take a place alongside the largest companies in the domestic market that are active in real estate management. The company manages CZK 8.5 billion in real property. This gives PPF's clients the opportunity to take advantage of financial products and comprehensive services related to the management and development of real estate funds. Last year, the company focused in particular on seeking out investment and developer projects with the potential to deliver the desired returns, and subsequently managing and realizing those projects. Two of the largest projects were the unification of Česká pojišťovna's teller-window locations and the building of eBanka's branch network. Active diversification and management of real estate funds brings clients stable, solid returns over the long-term.

• Management of Portfolio Investments

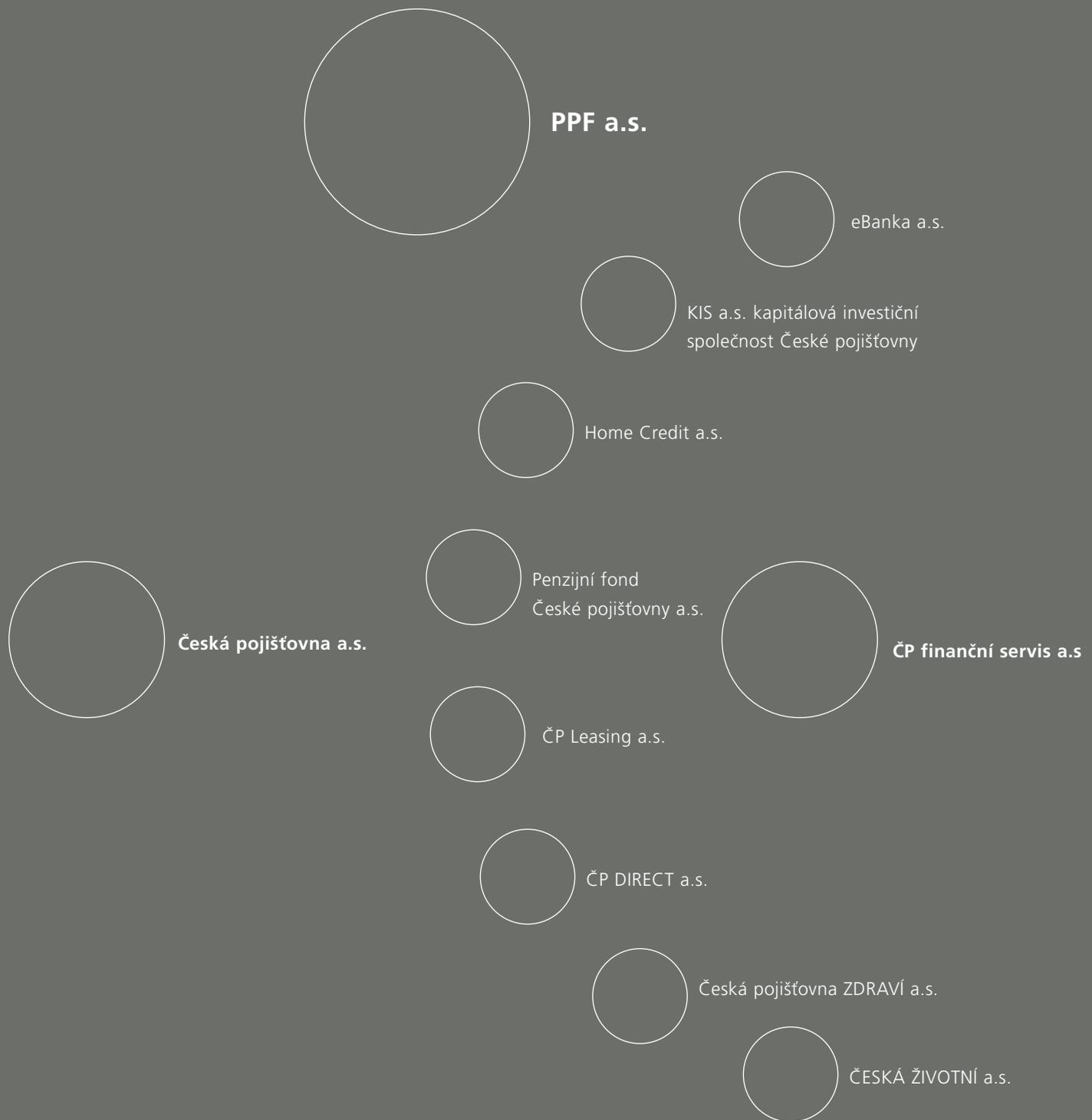
In addition to strategic investments, the portfolios of PPF itself and of its clients also include portfolio investments. The PPF Financial Group company that is in charge of managing these is PPF CONSULTING a.s. The company's consulting business involves providing recommendations and solutions on how to ensure that a client's portfolio investments deliver the most effective return possible. In addition to consulting, PPF CONSULTING also provides legal services to its shareholders. Last year, the company succeeded in selling portfolio investments under better terms than were then achievable on public markets, thereby delivering its clients the most effective possible return on their assets.

Increased Management System Transparency

PPF has been a player in the Czech capital markets since 1991. During its 10 years in business, it has managed in a highly competitive environment to build itself into one of the biggest financial groups in the Czech Republic offering comprehensive financial services in the Czech capital market. The effective management of the PPF Group through the management structure and PPF representatives' direct participation in managing the Group's investments and acquisitions have led to a number of successes. Without a doubt, the biggest such success is PPF's several-year-long presence in the largest domestic insurance company, Česká pojišťovna a.s. Since PPF a.s. has been authorized to exercise shareholder rights on behalf of entities acting in concert which own shares of Česká pojišťovna representing over 50% of that company's registered capital, it took advantage of the opportunity given by an amendment to the Commercial Code which took effect on 1 January 2001 to set up control mechanisms that comply with the law governing groups of companies.

During the month of December 2000, PPF a.s. signed control agreements with Česká pojišťovna a.s. and its 100% subsidiary, ČP finanční servis a.s. Under the control agreements, PPF a.s. entered into the role of controlling entity with regard to these companies. ČP finanční servis a.s. continues to manage the system of other financial services within Česká pojišťovna pursuant to control agreements signed with eBanka a.s., Home Credit a.s., ČP Leasing a.s., Česká pojišťovna ZDRAVÍ a.s., ČESKÁ ŽIVOTNÍ a.s., ČP DIRECT a.s., Penzijní fond České pojišťovny a.s. and KIS a.s. kapitálová společnost České pojišťovny. In this manner, under the control agreements ČP finanční servis a.s. took up the role of controlling entity with regard to the above named members of the company's Group. This contractual system thereby provides for a transparent and effective system of managing all activities of the entire Financial Group. The new organization of relations is bringing particular advantages in the sales area, allowing Česká pojišťovna a.s. to focus more on developing and supporting its own insurance underwriting policies and freeing up ČP finanční servis a.s. for the effective management of the insurer's subsidiaries. What is more, the high degree of transparency in the description and design of interrelationships is contributing to greater protection of minority shareholders in the controlled companies, protecting their investments and giving them and creditors alike more security. After all, under the new set-up PPF a.s. is obliged, if needed, to settle any and all accounting losses. Thus, PPF a.s. is taking over responsibility for the earnings results of all the entities it controls.

Corporate Holding Management Structure



people
in a team

flexibility

people in a team

...each play their own role and at the same time look for ways to cooperate. If their performance is professional and their cooperation perfect, the work they produce is perfect, too. It enriches those for whom it is intended and brings success to its creators.



Still Life with Rose

Josef Sudek

During the occupation by Nazi Germany, it was no longer possible to walk through the streets, openly taking photographs. It was a time for introspection and concentrating on the smallest possible space and the simplest of subjects: the window of a studio, a garden, simple still lifes. It was in the solitary introspective world of his own studio that Sudek's mature style was formed.

Descriptions of Controlled Companies

• Česká pojišťovna a.s. – leader in Czech market

For PPF, Česká pojišťovna is a long-term strategic investment. This is evidenced by the fact that PPF bought into the largest domestic insurer as early as 1996. During five years in which PPF's representatives have served in the Česká pojišťovna's management, the insurer has successfully completed a crucial internal reorganization which has resulted in the financial consolidation of the entire Česká pojišťovna Group, an expanded line of insurance products, and improved service quality. Thanks to an active approach to client needs, the company has held on, amidst growing competition, to its position as the largest insurer in the Czech Republic, with a market share exceeding 40%. The positive influence of PPF in Česká pojišťovna has resulted in one of the highest ratings (BB+) given to a financial institution in the Czech Republic. As one of few Czech financial institutions, Česká pojišťovna boasts a quality investment portfolio, and so its earnings are not burdened by the necessity of large-scale adjustments to bad loans or loss-making investments. The insurer's earnings results confirm a major growth trend which has been getting steadily stronger since 1996. In 2000 Česká pojišťovna posted a record net profit of CZK 4.3 billion. Steadily growing profits are creating room for increased efficiency, improving corporate performance and supporting further growth. Therefore, PPF supports the current management's strategy of offering clients integrated and comprehensive services under the umbrella of a finance-insurance holding structure. This trend, known as bancassurance, is characteristic for the financial sector at both the European and global levels, and is creating conditions for bolstering the insurer's competitiveness. An important step in realizing the strategy was the acquisition of a bank – eBanka – and its integration into the Česká pojišťovna Group.

Česká pojišťovna a.s. continues to be a strategic investment. In Česká pojišťovna a.s., PPF investiční holding a.s. acts in concert with the Cespo companies and together they hold a 52% share in the insurer's registered share capital. Therefore in late 1999, PPF a.s., which is in charge of exercising shareholding rights on behalf of the entities acting in concert, signed a control agreement with Česká pojišťovna a.s. and ČP finanční servis a.s., with regard to which it acts as Controlling Entity (see Corporate Holding Management Structure chart on page 19).

• ČP finanční servis a.s.

ČP finanční servis a.s., a 100% subsidiary of Česká pojišťovna a.s., was selected as the platform for building effective lines of management within the Česká pojišťovna Financial Group. At the end of 2000, ČP finanční servis a.s. entered into control agreements with all the other members of the insurer's financial group, under which it will act as controlling entity with respect to the group members. This management structure allows for the effective management of sales policies within the Česká pojišťovna Group and maximum coordination of the companies' commercial activities for the purpose of providing comprehensive services to retail clients.

• eBanka a.s.

eBanka (formerly Expandia Banka) brought a new dimension to Czech banking. It is the Czech Republic leader in direct banking and a pioneer in Internet banking, being the first to launch the service in the Czech market. It was also the third bank in the world to launch GSM banking. The process of integrating eBanka into the Česká pojišťovna Group began in the autumn of 1999. Currently, eBanka is working with Česká pojišťovna to bring even more new banking products to market for its clients. eBanka is also preparing to expand its branch network in the Czech Republic.

- **KIS a.s. kapitálová investiční společnost České pojišťovny**

The investment company KIS is one of the oldest and also biggest domestic investment companies. Its principal business is collective investment services, which it offers to the general public through its mutual funds. The investment company KIS manages three mutual funds – one open-end fund (Alpha Effect) and two closed-end funds (Thesaurus and AAA). KIS is one of very few investment companies that allow unit certificates in its open-end fund (Alpha Effect) to be purchased over the Internet. Overall assets under management total CZK 2.1 billion.

- **Penzijní fond České pojišťovny a.s.**

Penzijní fond České pojišťovny a.s. is one of the largest and financially strongest pension funds operating in the Czech Republic. At year end 2000 it held assets of well over CZK 4 billion. Its number of clients rose 30% during 2000 to 296,000 and their contributions, together with State contributions, amounted to CZK 1.7 billion in the year 2000 alone.

- **Home Credit a.s.**

Home Credit was established in 1997 and within a relatively short time thereafter it had staked out for itself a strong position amongst companies offering comprehensive services associated with sales of consumer goods on installment plans and proved to be fully capable of competing with strong foreign players in the field. Home Credit is the biggest 100% Czech company involved in sales of consumer goods through installment plans and the third largest company in the field within the Czech Republic. The speed with which the company has been bringing new financial products to market has been a major factor in achieving this position. In late 2000 the company launched, as the first in the Czech market, the YES universal credit purchasing card, thereby taking the lead position in terms of the number of credit cards issued in the Czech market. The company's consumer lending turnover jumped 75% in 2000 to CZK 2.2 billion and the company entered into nearly 170,000 consumer loan contracts. Home Credit is also active in the Slovak Republic through its subsidiary, Home Credit Slovensko, which is the consumer credit leader in Slovakia. Activities in this area outside the Czech Republic are part of PPF's policy of expansion, in which it is focusing primarily on the countries of Central and Eastern Europe.

- **ČP Leasing a.s.**

ČP Leasing is a universal leasing firm whose basic service offering includes leasing of cars and other vehicles as well as leasing of industrial machinery, equipment and even entire plant facilities. In 2000 the company's turnover reached CZK 3 billion, which represents 74% growth compared to the previous period. In terms of the number of new lease agreements signed last year (7,500, up 175% from 1999), the company is one of the top players in the Czech Republic leasing industry. Future development will focus in particular on vehicle leases. The company is successfully developing a presence in the operational leasing field as well.

- **ČP DIRECT a.s.**

ČP DIRECT is a service organization that operates a call center which the public can access using a toll-free number to get information on all products and services offered by Česká pojišťovna and its subsidiaries. It accepts motor vehicle insurance claims and deals with client filings relating to Česká pojišťovna's products. It also carries out market research studies and sells insurance over the telephone.

- **Česká pojišťovna ZDRAVÍ a.s.**

Česká pojišťovna ZDRAVÍ offers, through its own network of sales partners and the extensive Česká pojišťovna network, supplementary health insurance products that go above and beyond the scope of coverage provided by State health insurance, i.e. commercial health insurance. The company holds about 70% of the market for commercial health insurance in the Czech Republic.

- **ČESKÁ ŽIVOTNÍ a.s.**

Česká životní specializes in life insurance products and creating custom insurance packages for clients and backing them up with high-quality service. The company offers its services to higher income groups through professionally trained insurance advisors. Thus, it is building yet another distribution channel for the sale of Česká pojišťovna's integrated financial services.

dynamics

flexibility

people in a team

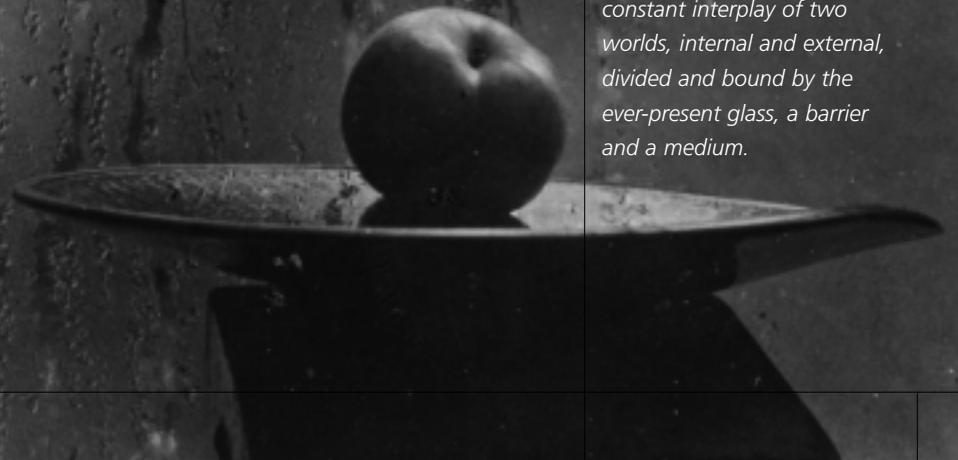
...endows our efforts with rhythm and movement. In life, in art, and in business it helps us to take courageous decisions, transform vision into reality, and make our dreams come true. It is the force that pushes us ever onward to success.



**Window
of my Studio**

*Josef Sudek
1944*

The Window of my Studio was the first of the intimate cycles discovering more private themes. It shows the pane of Sudek's window in all its transparency and impenetrability. Mist in the garden, steam in the room, the tree outside and the objects inside show the constant interplay of two worlds, internal and external, divided and bound by the ever-present glass, a barrier and a medium.



The Companies of the PPF Financial Group

PPF burzovní společnost a.s.

The company is one of the biggest securities brokerages in the Czech Republic and is a member of the Prague Stock Exchange (PSE)

Area of business:	Asset management for institutional investors, securities brokerage
Date of inception:	23 December 1993
Address:	Na Pankráci 121, 140 21 Prague 4, Czech Republic
Registered capital:	CZK 55,000,000
Activity permit:	License issued by Czech Ministry of Finance
Relicensed:	23 June 1999
Access to Securities	
Center and markets:	Member, Prague Stock Exchange Special customer, RM-System (on-line) Computerized trading at Securities Center
Auditor for 2000:	KPMG Česká republika Audit, spol. s r.o.
Board of Directors:	Bohuslav Samec
Supervisory Board:	Vladimír Dvořák – Chairman Martin Pavlík Aleš Holcman (since May 2000)
Company management:	Marcel Dostal – Sales Director
Principal businesses:	Trading in domestic and foreign securities Management of assets and client portfolios, particularly for institutional investors

Activities in 2000

As early as 1999, the company began its transition from being a traditional securities brokerage to focusing on asset management for institutional clients, with securities brokerage being a supplemental activity. 2000 confirmed that this change came at the right time. The company focused completely on the class of highly demanding clients whose standard requirements for asset management services represented a major expansion in the base of supplemental services. In addition to conventional products such as tailor-made investment strategies to meet each client's individual risk preference and liquidity requirements, these clients also demand an entirely individualized approach in the following areas: strategic tax profiling, portfolio modelling according to maturity classes, creating portfolios pursuant to each client's particular regulatory framework and many other areas.

Sustained Growth in Assets Under Management

In reflection of the successful implementation of the services described above, existing clients entrusted us with more and more capital and several new large corporate investors chose us to manage their portfolios. By taking an individualized approach to each client, the company is building long-term personal relationships that have a positive impact for both clients and the company, which has seen assets under management grow steadily

thanks to the trust it has earned from clients. PPF burzovní společnost a.s. saw its assets under management grow significantly during 2000, from CZK 9.6 billion at the beginning of the year to CZK 13.1 billion at the end, representing an increase of CZK 3.5 billion, or 37%.

The company will continue to position itself as an asset manager to institutional investors and focus on providing comprehensive financial services of high quality.

Solid Returns on Assets

The stable, high performance of the client portfolios managed by PPF burzovní společnost a.s. is the main reason why more and more assets keep pouring in. In 2000, the company delivered a return of 8-10% p.a. on client portfolios. It did so thanks in particular to active diversification of client portfolios, both locally and globally. From the company's perspective, positive developments in the domestic arena are important with regard to the fact that portfolios have shifted substantially towards fixed-income instruments such as bonds and treasury bills, an area where, unlike equities, we have continued to prefer the domestic market.

Growth in Trading Volume

Contrary to expectations, last year failed to bring the upturn in the domestic capital market which is needed to encourage new equity issues in particular. However, the year did bring an amendment to the Securities Act which brought the country another step closer to creating a transparent, well-regulated environment for trading in the financial markets.

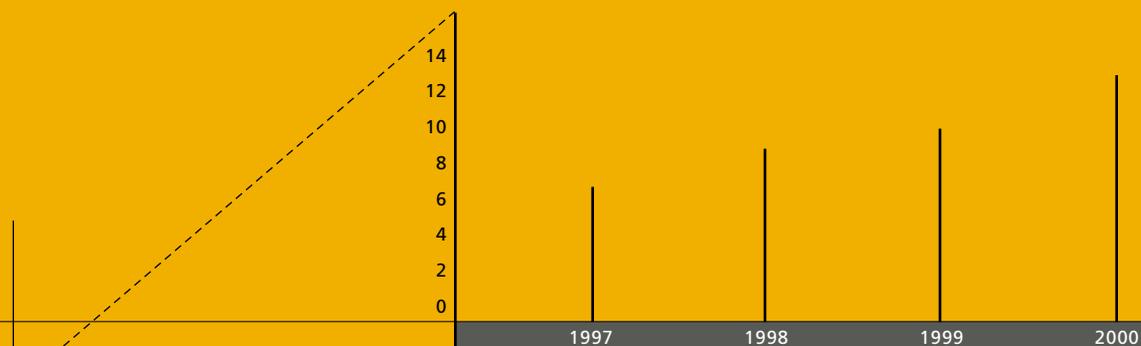
As a domestic and foreign securities brokerage, the company realized trades in 2000 in a total volume of CZK 29.8 billion, up 29% from 1999. Of this amount, CZK 6.9 billion in trades were made in advanced Western securities markets such as the Nasdaq and the NYSE in the USA, as well as other markets in OECD countries. The remaining CZK 22.9 billion in trading volume went through the Czech capital markets. Domestic and foreign equities accounted for two thirds of the company's overall trading volume.

PPF burzovní společnost a.s. posted a net profit of CZK 22.2 million in 2000. This result was achieved thanks in particular to sustained growth in assets under management and prudent investment policies. Thus, the company built on its positive performance results achieved in past years.

PPF burzovní společnost a.s. is one of the biggest securities traders in the Czech market and is a member of the PSE. Its registered share capital is CZK 55 million and its shareholders' equity rose to CZK 269.7 million in 2000.

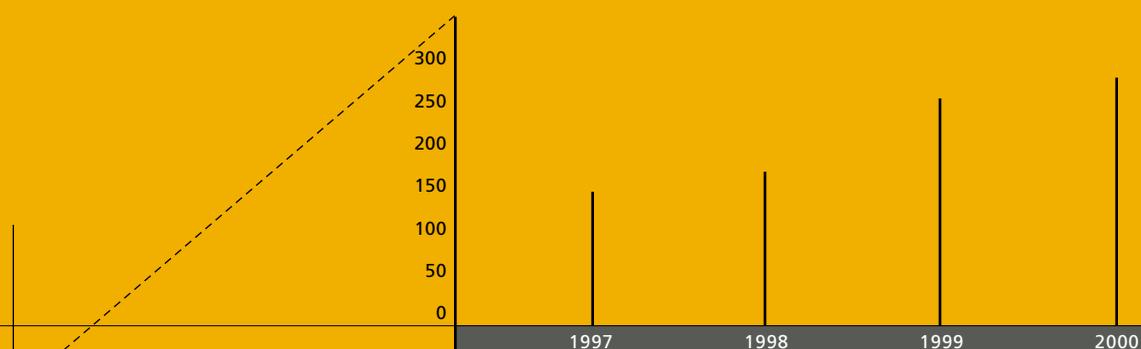
PPF burzovní společnost a.s.

Assets Under Management, 1997 – 2000 (CZK billions)



PPF burzovní společnost a.s.

Shareholders' Equity, 1997 – 2000 (CZK millions)



PPF burzovní společnost a.s.

Securities Trading in 2000 (CZK thousands)

PSE for own account	4,211,731
PSE for clients' accounts	13,811,916
PSE total	18,023,647
RM-System for own account	106,090
RM-System for clients' accounts	4,735,189
RM-System total	4,841,279
Trading in foreign securities for own account	1,030,180
Trading in foreign securities for clients' accounts	2,378,149
Trading in foreign securities total	3,408,329
OTC trades for own account	3,246,210
OTC trades for clients' accounts	299,341
OTC trades total	3,545,551
Total	29,818,806

PPF investiční společnost a.s.

The seventh largest investment company in the Czech Republic in terms of assets under management

Principal business:	Collective investment – management of mutual funds
Date of inception:	2 September 1991
Address:	Na Pankráci 121, 140 21 Prague 4, Czech Republic
Registered capital:	CZK 20,000,000
Assets under management at 31 December 2000:	CZK 2.03 billion (includes assets in mutual funds)
Auditor for 2000:	KPMG Česká republika Audit, spol. s r.o.
Custodian bank for 2000:	Československá obchodní banka a.s.
Memberships:	Union of Investment Companies of the Czech Republic American Chamber of Commerce in the Czech Republic British Chamber of Commerce in the Czech Republic
Relicensed:	26 April 1999
Board of Directors:	Pavel Veselý – Chairman Štefan Košťalik Jan Valdinger, LLB
Supervisory Board:	Radek Krůžela – Chairman Petr Vidner Alena Bernreiterová
Company management:	Jan Valdinger, LLB – Chief Executive Pavel Veselý – Director Portfolio Administration
Main activities:	Asset management for three mutual funds, two closed-end and one open-end

Activities in 2000

Since its inception in 1991, PPF investiční společnost a.s. has been a leading investment company in the Czech Republic. In terms of assets under management at 31 December 2000, PPF investiční společnost is the number seven investment company in the Czech Republic.

Solid Fund Conversion to Open-End Format

At 31 December 2000 the company managed CZK 2.03 billion in assets in two closed-end (CZK 1.8 billion) and one open-end fund (CZK 0.23 billion). Our active approach to managing the funds was reflected positively in their performance in 2000. The closed-end funds posted profits for the year and will pay out record income distributions to their unitholders.

Safe Fund Conversion to Open-End Format

In 2000, PPF investiční společnost a.s. continued in its investment policy for the closed-end funds focused on preparing them for open-ending no later than 2002, as called for by a 1999 amendment of the Investment Companies and Investment Funds Act. The investment strategy in the closed-end funds continued to be focused on safe money market instruments, debt instruments, and high-quality foreign securities from the advanced capital markets of the European Union and the USA. Thus, high-quality portfolio investments were expanded at the expense of reductions in the strategic investments that remained in the funds' asset portfolios. In this manner, PPF's funds are to achieve the sufficient portfolio liquidity that is a necessary precondition to open-ending these funds. The fund management priorities in open-ending the funds remain as before – ensuring maximum protection of small unitholders and generating effective returns on their investments while minimizing overall risk.

The funds' investment strategy in 2001 will focus primarily on higher portfolio diversification at the international level to decrease portfolio sensitivity to capital markets turbulence and at the same time deliver to investors effective returns on their investments while keeping to a minimum the risks associated with investing in securities.

Active Support for Collective Investment in the Czech Republic

PPF investiční společnost is a member of the Union of Investment Companies of the Czech Republic (UNIS ČR) and its representatives are active participants in the Union's activities. These include development of self-regulatory rules, supporting the growth of the funds industry in the Czech Republic, working towards wider information disclosure rules for collective investment entities and playing a role in the development of the Czech Republic's legislative framework for collective investment. PPF investiční společnost is an avid supporter of and active participant in all these activities.

PPF Český uzavřený podílový fond

Date of inception:	4 September 1993
Number of unit certificates outstanding:	817,355
Nominal value of unit certificates:	CZK 1,000
Type and form of unit certificates:	booked bearer
Market value of assets at 31 December 2000:	CZK 1.23 billion
Market value of assets per unit certificate:	CZK 1,495
Unit certificate listings:	PSE third tier, RM-System
Auditor for 2000:	KPMG Česká republika Audit, spol. s r.o.
Custodian bank for 2000:	Československá obchodní banka a.s.

Activities in 2000

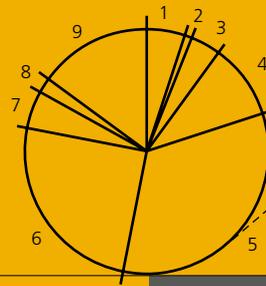
The funds' performance was affected by negative developments in the capital markets. Heavy losses in the American market (the Nasdaq index fell by nearly 40%) were reflected in the Czech capital market's performance as well. The PX 50 index fell during 2000 to a year-end level of 478.5 points, down 2.3% for the year. Despite the unfavorable conditions in the capital markets, the fund's managers succeeded in minimizing their impact on unitholder assets.

Record Income Distribution

PPF's closed-end funds posted positive earnings results for the year 2000 under Czech Accounting Standards. PPF Český uzavřený podílový fond recorded a profit of CZK 66 million and will pay its unitholders an income distribution. According to International Accounting Standards, the fund recorded a loss of CZK 71.1 million. Under the fund's Statute, 30% of the 2000 profit will be distributed to unitholders and the remaining 70% will be reinvested, i.e. it will remain part of the fund's assets. Thus, the fund's unitholders will receive a net payment of CZK 20.90 per unit. The funds' management company, PPF investiční společnost will pay unitholders a record income distribution (previous dividends were all in the range of CZK 8-18 per unit).

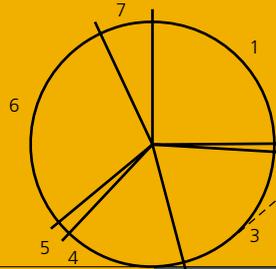
The fund's asset value at 31 December 2000 was CZK 1.23 billion, or CZK 1,495 per unit with CZK 1,000 par value. As a result of the unfavorable capital markets situation, the fund's NAV fell by 3.5% last year. Throughout 2000, the asset value exhibited a close correlation with the PX 50 index. At year end, the price at which the unit certificates traded on both the PSE and the RM-System was the same as at the beginning of the year, i.e. CZK 1,260.

PPF Český uzavřený podílový fond
Portfolio Structure by Sector at 31 December 2000



- 1 Government bonds 5%
- 2 Other securities 1%
- 3 Treasury bills 4%
- 4 Koruna bonds 10%
- 5 Foreign equities 33%
- 6 Foreign bonds 25%
- 7 Transport and communic. 5%
- 8 Electronics 2%
- 9 Banking and finance 15%

PPF Český uzavřený podílový fond
Assets Structure at 31 December 2000



- 1 Koruna bonds 25%
- 2 Other assets 1%
- 3 Foreign bonds 20%
- 4 Domestic equities 16%
- 5 Accounts in foreign currency 2%
- 6 Foreign equities 29%
- 7 Accounts in CZK 7%

PPF Český uzavřený podílový fond
NAV, Unit Price and PX 50 Index in 2000 (%)



- 1 PX 50 Index
- 2 Unit price
- 3 NAV

1/2000 3/2000 5/2000 7/2000 9/2000 11/2000 1/2001

Active Portfolio Diversification

In 2000, the funds' managers continued to actively diversify the funds' portfolios by increasing positions in high-quality, liquid foreign securities, especially bonds, at the expense of reductions in Czech shares. As of 31 December 2000, 54% of the portfolio of PPF Český uzavřený podílový fond was in safe debt and money market instruments, especially deposits, treasury bills and high-quality bonds. Investments in highly liquid shares of highly rated, progressive corporations from advanced Western countries, the European Union and the USA in particular, rose by 3% to 30% of the fund's assets. On the other hand, investments in Czech equities that represent strategic investments have been steadily declining, and in 2000 they went from 16% to 13.9% of the assets. This change was caused by the sale of shares in GAMA České Budějovice. At the end of 2000, the fund's strategic investments consisted of shares in Česká spořitelna and Česká pojišťovna. Portfolio investments in Czech equities are represented by České radiokomunikace and Kablo Kladno and account for 2% of assets. Overall, equities make up 45.9% of the fund's assets.

In the bond segment of the portfolio, the proportion of Czech bonds was reduced from 43.2% to 24.5% of fund assets. The sold-off portion was replaced by foreign bonds, especially high-yield Polish government bonds denominated in the Polish currency and Slovak eurobond issued by Slovenský plynárenský priemysl. While at the beginning of the year there were no foreign bonds in the portfolio at all, by the end of the year they accounted for 20.4% of fund assets.

A large proportion of the investments made in the first half of the year went into the technology sector. Most significantly, the fund added shares from the semiconductor industry and continued to increase its holdings in one of the most promising industries – biotech, which is currently the most profitable segment of the fund's foreign investments.

Retaining Potential of Unitholders' Investments

In 2001 the fund's investment policy will focus on attaining a higher degree of diversification in the equity portfolio which, after the experience of 2000, will ensure that the effect on the fund's assets of increased turbulence in world markets will be minimized. The primary goal of this diversification process is to prepare PPF's closed-end mutual funds for safe conversion to the open-end format while maximizing value for all investors and providing maximum security for small unitholders.

PPF Moravskoslezský uzavřený podílový fond

Date of inception:	4 September 1993
Number of unit certificates outstanding:	379,856
Nominal value of unit certificates:	CZK 1,000
Type and form of unit certificates:	booked bearer
Market value of assets at 31 December 2000:	CZK 0.57 billion
Market value of assets per unit certificate:	CZK 1,502.30
Unit certificate listings:	PSE third tier, RM-System
Auditor for 2000:	KPMG Česká republika Audit, spol. s r.o.
Custodian bank for 2000:	Československá obchodní banka a.s.

Activities in 2000

The second closed-end fund managed by PPF investiční společnost is PPF Moravskoslezský uzavřený podílový fond. The investment policy applied in this fund by the management company is the same as for PPF Český uzavřený podílový fond. Therefore, both funds exhibit certain similarities in terms of their performance results. The only difference between the two funds is in asset volume – PPF Moravskoslezský uzavřený podílový fond has about half the assets compared to its sister fund.

Record Income Distribution

PPF Moravskoslezský uzavřený podílový fond posted earnings of CZK 35.1 million for the year 2000 under Czech Accounting Standards (its result for the year according to International Accounting Standards was a loss of CZK 30.6 million). This means that the fund will pay its unitholders an income distribution for 2000 in the amount of 30% of earnings, while the remaining 70% will be reinvested. After tax is withheld pursuant to the applicable law, the unitholders will receive a net payment of CZK 23.90 per unit, which is the highest income distribution that the fund's unitholders have received to date. The strike date set by the fund's Statute for the income distribution is 30 April 2001.

The fund's asset value at 31 December 2000 was CZK 0.57 billion, or CZK 1,502.30 per fund unit certificate. The fund's NAV fell 3.8% in 2000, mainly as a result of heavy losses in the equity markets both in Europe and the USA, and exhibited a close correlation to the PX 50 index. The fund's unit price grew 1.7% during 2000, ending the year at CZK 1,265.

Active Portfolio Diversification

In 2000, the fund continued to realize its 1999 strategy. A large proportion of the investments made in the first half of the year went into the technology sector. In the first half, the fund invested in the semiconductor and biotech industries, while in the second half the fund acquired B2B and fiber-optic components stocks.

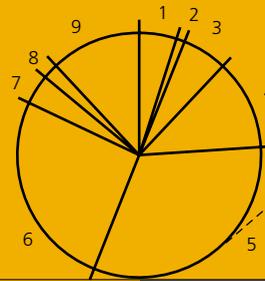
The proportion of foreign equities in the fund's assets edged upward from 26.7% to 29.9%. In the bond segment, holdings of Czech bonds were reduced from 44.3% to 27.7% of fund assets. The sold-off bonds were replaced by foreign bonds, especially high-yield Polish government bonds and Slovak eurobond issued by Slovenský plynárenský priemysl. The proportion of foreign bonds in fund assets went from zero to 22% during the year. Strategic investments were reduced from 14.8% to 11.6% of fund assets. This change was caused by the sale of shares in GAMA České Budějovice. At the end of 2000, the fund's strategic investments consisted of shares in Česká spořitelna and Česká pojišťovna. České radiokomunikace and Kablo Kladno represent the fund's portfolio investments in Czech equities.

At year end 2000, 54% of the fund's assets was in safe debt and money market instruments, especially deposits, treasury bills and high-quality bonds. 45.6% of the fund's assets was invested in equities – 30% in highly liquid shares of highly rated, promising corporations traded in the most advanced markets of Europe and the USA.

Retaining Potential of Unitholders' Investments

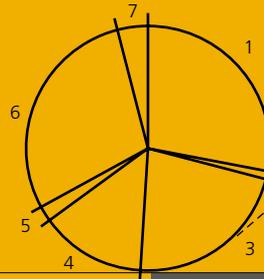
This year the investment policy will focus on higher diversification in the equity portfolio, which will lead to the elimination of negative impacts on the fund's assets in the event of increased turbulence in world markets. The primary goal of this diversification process is to prepare PPF's funds for safe conversion to the open-end format while maximizing value for all investors and providing maximum security for small unitholders.

PPF Moravskoslezský uzavřený podílový fond
Portfolio Structure by Sector at 31 December 2000



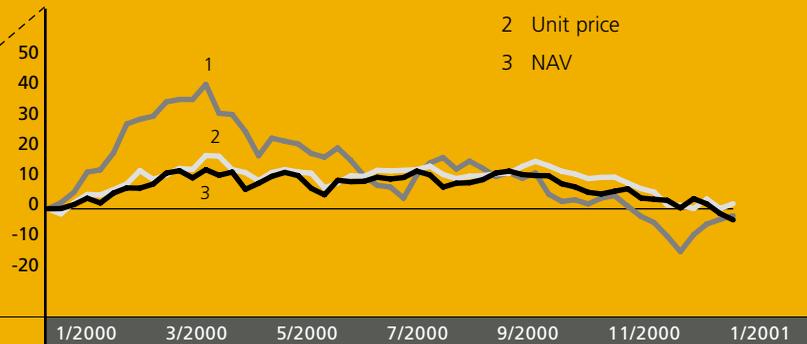
- 1 Government bonds 5%
- 2 Other securities 1%
- 3 Treasury bills 6%
- 4 Koruna bonds 12%
- 5 Foreign equities 32%
- 6 Foreign bonds 26%
- 7 Transport and communic. 4%
- 8 Electronics 2%
- 9 Banking and finance 12%

PPF Moravskoslezský uzavřený podílový fond
Assets Structure at 31 December 2000



- 1 Koruna bonds 28%
- 2 Other assets 1%
- 3 Foreign bonds 22%
- 4 Domestic equities 14%
- 5 Accounts in foreign currency 2%
- 6 Foreign equities 29%
- 7 Accounts in CZK 4%

PPF Moravskoslezský uzavřený podílový fond
NAV, Unit Price and PX 50 Index in 2000 (%)



- 1 PX 50 Index
- 2 Unit price
- 3 NAV

...is direction in space and time. It includes depth and height, beginning and timelessness. A sound future is the art of prediction. The best see further than the others and are able to turn their visions into reality.



Memories

Josef Sudek
1954 – 1959

Still lifes contain the maximum of Sudek's artistic expression. They were his opportunity to maintain the utmost control over his subject matter. The objects can be arranged however one wishes. They can be chosen at random and put in any kind of natural or artificial light. No other genre affords so much artistic freedom.

PPF Smíšený otevřený podílový fond

Date of inception:	11 November 1998
Nominal value of unit certificates:	CZK 1,000
Number of unit certificates outstanding at 31. 12. 2000:	300,000
Number of unit certificates redeemed at 31. 12. 2000:	0
Type and form of unit certificates:	booked bearer
Market value of assets at 31 December 2000:	CZK 0.23 billion
Market value of assets per unit:	CZK 776
Unit certificate listing:	RM-System
Annual fund management fee:	1.75% of average annual fund asset value
Unit sale fee:	1% of value of unit certificates sold
Unit redemption fee:	0%
Minimum investment:	CZK 10 million
Auditor for 2000:	KPMG Česká republika Audit, spol. s r.o.
Custodian bank for 2000:	Československá obchodní banka a.s.

Activities in 2000

Since September 1999, PPF investiční společnost a.s. has managed an open-end mutual fund that is targeted primarily at institutional investors. In keeping with this, the fund offers minimum initial investment of CZK 10 million, its low sale fee (1% of amount invested), zero redemption fee and medium recommended investment term (3 – 5 years). The fund commenced operating of 9 September 1999 when it issued its first unit certificates. To date, CZK 300 million in unit certificates has been issued. The fund is designed as a mixed fund and its primary focus is on investing in foreign shares and index instruments in the European Union and the USA.

Positive Earnings

The manager's goal is to create a widely diversified portfolio for the fund composed of liquid equities of highly-rated corporations traded on advanced countries of the European and the USA. The fund's assets are structured accordingly: at year end 2000, 60% of the fund's assets was in foreign equities, safe money market instruments (26%) and debt instruments (14%). The fund posted a year 2000 profit of CZK 1.2 million under Czech Accounting Standards (its performance result according to International Accounting Standards was a loss of CZK 68.2 million), thereby building on its positive earnings performance in 1999. According to the fund's Statute, all of the profit will be reinvested. The fund's NAV at 31 December 2000 was CZK 0.23 billion.

The fact that no unit redemptions took place is positive, as these could have threatened the fund's stability. The fund's asset value at the beginning of 2000 exceeded CZK 300 million, making the fund one of the biggest domestic open-end mutual funds in its category. The NAV exhibited a degree of correlation with major world

stock indexes, the Nasdaq in particular. This index was subject to increased volatility when, after a steep rise of some 20% early in the year, it was hit by a major market decline in the last quarter of 2000. It ended the year down nearly 40%. This had a negative impact on the performance of all Czech mixed and equity funds which invested in foreign markets. The nosedive in world markets for technology shares, which constituted the core investment strategy of PPF's open-end mutual fund, caused the fund's NAV to decline 23% to CZK 776 per unit certificate. However, it must be stressed that the recommended investment term for the open-end mutual fund is a minimum of 3-5 years.

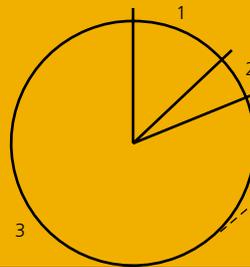
Creation of a Growth Portfolio

At the beginning of the year, only approximately 20% of the fund's assets were invested in equity instruments. The strategic goal was to form a strong equity segment of 60% of the overall portfolio by value, comprising high-quality, highly-rated stocks. Strong positions were built up in promising sectors in advanced markets such as the USA and the countries of the European Union. In particular, these included biotech, communications technology, semiconductors and the very promising petrochemicals industry. The core investments in the portfolio include instruments called HOLDERS, which contain specified groups of shares. These include biotech (over 8% of assets), energy (2.5%) and technology (1.6%). Among stocks, the fund's largest portfolio investments include the media and mobile communications technology production sectors. Substantial positions have also been taken in EMC and Nortel. In terms of sectors, the most represented is telecommunications and technology at 23%, followed by biotech (8%), semiconductors (7%) and energy (6%). The goal was and is to build a growth portfolio that will, over the medium term, profit from worldwide economic growth.

From 10% at the beginning, the bond segment of the portfolio was boosted to nearly 15% of fund assets. Attention was focused on both domestic bonds and foreign bonds, in particular bonds issued in European Union countries and Slovak eurobonds. Domestic bonds accounted for nearly 5% of assets, while foreign bonds were at 9.5%. The remaining portion of almost 25% of assets was, throughout the year, allocated to money market instruments, especially term deposits and deposits in foreign currencies.

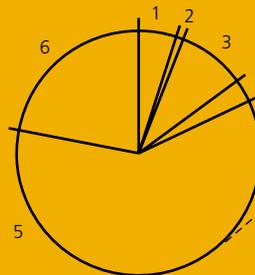
The principal goal in 2001 is to finish building the equity portfolio by adding sectors that will not be heavily connected with the technology segment of the portfolio and will have an above-average estimated growth potential in the next few years – e.g., pharmaceuticals, the financial sector, etc.

PPF Smíšený otevřený podílový fond
Portfolio Structure by Sector at 31 December 2000



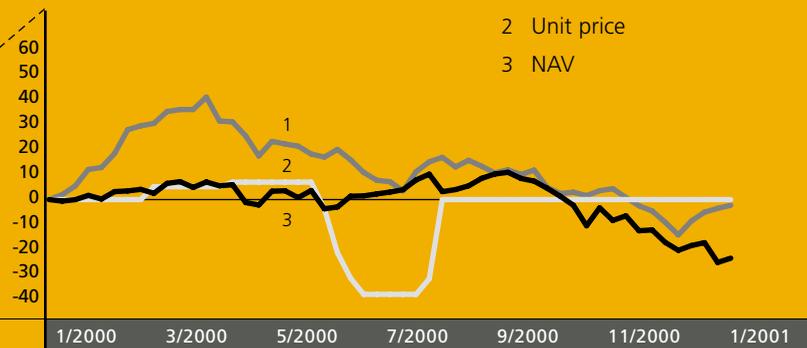
- 1 Foreign bonds 13%
- 2 Mortgage bonds 6%
- 3 Foreign shares 81%

PPF Smíšený otevřený podílový fond
Assets Structure at 31 December 2000



- 1 Koruna bonds 5%
- 2 Other assets 1%
- 3 Foreign bonds 9%
- 4 Accounts in foreign currency 3%
- 5 Foreign equities 60%
- 6 Accounts in CZK 22%

PPF Smíšený otevřený podílový fond
NAV, Unit Price and PX 50 Index in 2000 (%)



- 1 PX 50 Index
- 2 Unit price
- 3 NAV

PPF Capital Management a.s.

Area of business:	management of PPF Group's strategic investments
Date of inception:	7 August 1995
Address:	Na Pankráci 121, 140 21 Prague 4, Czech Republic
Registered capital:	CZK 178,300,000
Auditor for 2000:	KPMG Česká republika Audit, spol. s r.o.
Board of Directors:	Zbyněk Štěrba – Chairman Karel Pražák Michal Stiebal (since May 2001)
Supervisory Board:	Ladislav Chvátal – Chairman (since May 2001) Václav Šrajner František Tlustoš
Company management:	Zbyněk Štěrba – Chief Executive
Principal businesses:	administration and management of equity shares, especially strategic holdings, seeking out quality investment opportunities, carrying out restructuring and revitalization programs in companies in the portfolio and active exercise of shareholder rights

Activities in 2000

In 2000, PPF Capital Management continued in both of last year's main activities, i.e. administration and management of equity holdings in PPF's portfolio and in seeking out quality investment projects. The goal of these activities is to effectively generate medium term returns on amounts invested. Early in the year, the remainder of the company's CZK 2 billion bond issue from 1999 was subscribed. The proceeds from the issue were used to buy back securities covered by receivables under leasing agreements and consumer loans from leasing companies focusing on retail clients. In September 2000, the company carried out a regular coupon payment of CZK 176.2 million in accordance with the bond issue conditions.

Seeking Out Quality Investment Opportunities

However, in terms of the company's future direction, the past year marked a turning point. Administration and management of industrial holdings was gradually phased out as sales of these holdings to strategic and financial investors were completed. The focus on seeking out investment opportunities became PPF Capital Management's dominant strategy and the company adapted its organization structure to reflect this development. A management company was formed for the administration of venture and development capital that is also capable of managing financial assets. In late 2000 preparations were completed on the first projects of this kind in the areas of telecommunications, automobile aftermarket and the film industry. Each of these investments is run by a project team staffed by experienced managers.

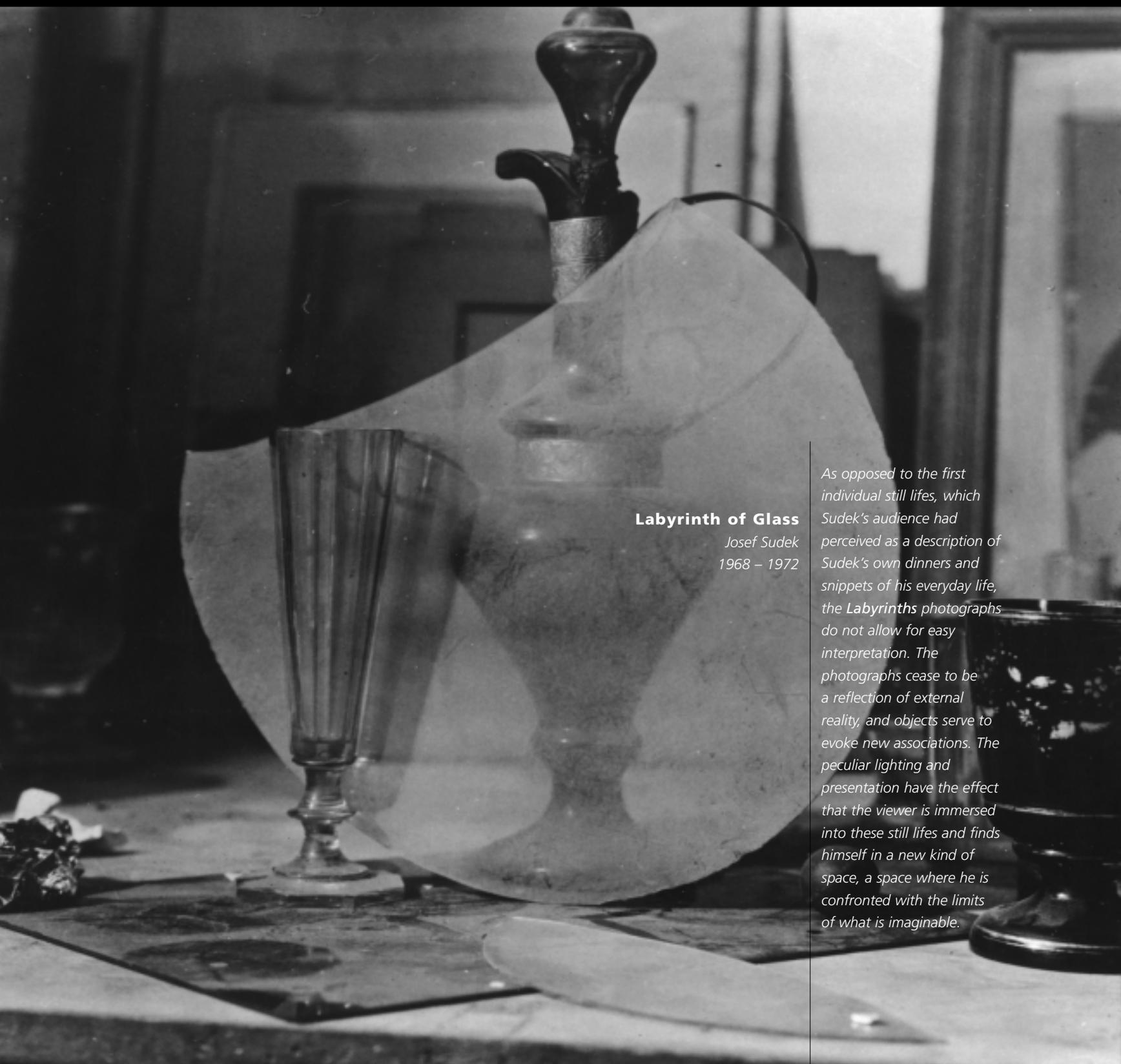
In 2001, the core of the company's activities will be to realize the projects prepared last year and at the same to seek out new, high quality investment opportunities.

professionalism

flexibility

people in a team

...is in every regard the most important attribute of the successful person, the successful company, the successful work of art. We expect professionals in every field to produce top-quality work that lasts despite the passage of time.



Labyrinth of Glass

Josef Sudek
1968 – 1972

*As opposed to the first individual still lifes, which Sudek's audience had perceived as a description of Sudek's own dinners and snippets of his everyday life, the **Labyrinths** photographs do not allow for easy interpretation. The photographs cease to be a reflection of external reality, and objects serve to evoke new associations. The peculiar lighting and presentation have the effect that the viewer is immersed into these still lifes and finds himself in a new kind of space, a space where he is confronted with the limits of what is imaginable.*

PPF majetková a.s.

The first company in the Czech Republic to obtain a license to manage and develop real estate funds

Area of business:	management and development of real estate funds
Date of inception:	8 June 1995
Address:	Na Klikovce 7, 140 00 Prague 4, Czech Republic
Registered capital:	CZK 1,270,000
Auditor for 2000:	KPMG Česká republika Audit, s.r.o., spol. s r.o.
Board of Directors:	Petr Javůrek – Chairman Jindřich Jansa Luděk Kožuško (since June 2001)
Supervisory Board:	Milan Maděryč – Chairman František Tlustoš Aleš Minx (since May 2001)
Company management:	Petr Javůrek – Chief Executive
Principal businesses:	management and development of real estate seeking out profitable investment and development projects, management and realization of same

Activities in 2000

PPF majetková administers and manages real property funds and seeks out, on behalf of clients, projects with the potential to generate the desired returns. It then goes on to manage and realize these projects. Within PPF, the company is responsible for all real estate projects. Its portfolio of managed assets is valued at CZK 8.5 billion, making PPF majetková one of the biggest companies in its field in the Czech Republic.

Stable Income for Clients

Rent income from the real property managed by the company continued to be stable in 2000 and brought in the expected overall proceeds. The trend towards diversification of rent income risk also continued with the selection of stable clients and arrangements for rent payments to be made in several currencies. Again, residential rentals were an exception, due to government regulations. While rents on residential properties did rise, the rate of growth was slower than in the previous electoral term. This repeat factor led us to completely abandon further investment in residential properties and buildings with residents subject to regulated rent were sold off. This transaction resulted in proceeds of nearly CZK 200 million. These proceeds together with other funds obtained from the sale of Česká pojišťovna properties in locations where it is impossible to obtain commensurate rent income streams over the long term or where the estimated construction costs for necessary building repair and improvements would have reduced long-term profitability were used for new investments, the most attractive of which was an investment in a Prague shopping center.

The year 2000 also saw the sale of an important construction plot in Prague belonging to one of our clients, Tesco. Discussions were held both with many potential buyers, concerning the development of the land plot and with final investors. After many months of negotiations, an agreement was reached under which the land plot was sold for a very good price.

Developer Projects

The year saw the completion of a total renovation of a Česká pojišťovna office building in Brno, which was put into use in the first quarter of 2001. Major progress was made in the preparations for a number of office building projects in Prague. Phase One of work on an office building project in the Spálená – Vladislavova complex was completed. Also, all preparatory work was completed on an office building project in Holešovice so that construction will be able to begin in the second half of 2001. An office building project in the Na Pankráci area went into zoning proceedings.

In addition to all the new-build projects mentioned above, the core of the company's construction activities also included the project of unifying all the teller-window locations of Česká pojišťovna, the goal of which is to gradually bring about a unification of all the company's space, both that accessible to the public and space designated for internal company use. The first results of this project can already be seen, for example, in Nový Jičín, Most, Teplice and Děčín. Preparatory work in other locations is already in full swing.

A similar project is the construction of eBanka's branch network, which has the ambitious goal of building several dozen bank branches throughout the Republic during 2001. The first quarter of the year has already seen the opening of planned branches and other projects are in the stages of planning, building permit proceedings, and actual construction. All construction work is to be completed in the third quarter.

Positive Results

The results described above could not have been achieved without the company's technical resources and, even more importantly, without the support of our qualified team of professionals. In order to ensure their further professional growth, the company continued to implement its training system. That and the recruitment of several new experts helped to further strengthen our highly professional team. Thanks to its experience and highly qualified, skilled staff, PPF majetková is capable of growing returns on the properties it manages in the years to come as well. Therefore, starting in 2001 we are prepared to provide our services and skills to even more companies. During the course of this year we will be acquainting potential new clients with the benefits of our work methods and their positive effects on the financial performance of real estate funds.

PPF CONSULTING a.s.

Area of business:	management of portfolio investments
Date of inception:	18 November 1996
Address:	Na Pankráci 121, 140 21 Prague 4, Czech Republic
Registered capital:	CZK 1,000,000
Auditor for 2000:	KPMG Česká republika Audit, spol. s r.o.
Board of Directors:	Petr Kellner – Chairman Vladimír Burda Pavel Tomšů
Supervisory Board:	Aleš Minx – Chairman František Tlustoš Lenka Šafránková
Company management:	Vladimír Burda – Chief Executive
Principal businesses:	advising solutions for selected equity holdings having the character of portfolio investments; providing recommendations for effective exercise and protection of basic shareholder rights

Activities in 2000

In addition to strategic investments, PPF and its clients also have portfolio investments. The company in charge of managing them is PPF CONSULTING. Last year, the company's primary activities were concentrated in the following areas:

Active Protection of Shareholder Rights

The principal aim of PPF CONSULTING is to ensure legal shareholder protection for our clients in those companies where clients have minority stakes. The company also acts on behalf of clients to effectively exercise their shareholder rights and defend their interests. Major shareholdings in client portfolios managed by PPF CONSULTING include Kablo Kladno, Starorolský porcelán, Český porcelán, Všeobecná stavební spořitelna Komerční banky and Massag.

reputability

...is not something we declare with words, but something that is determined by what we do and how we do it. Reputability is both a requirement and a goal of long-term successful performance in any field, and in the world of finance especially. It is built on professionalism and ethics.

flexibility

people in a team

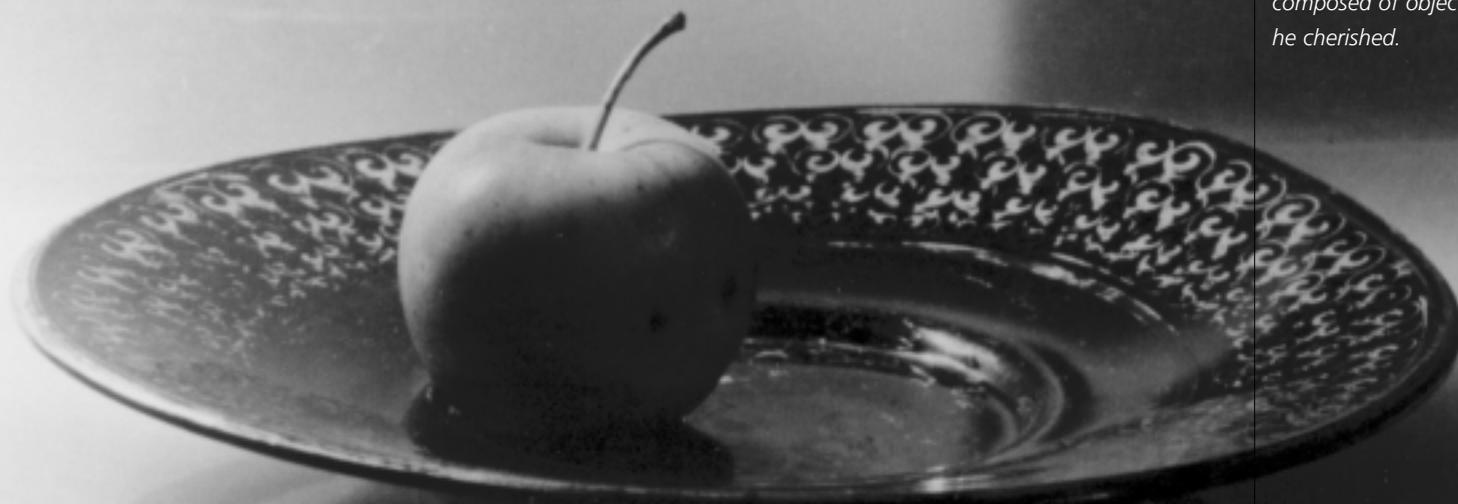


Still life

Josef Sudek

1950

The composition of Sudek's still lifes might lead to the idea that he simply photographed his evening meal, that his still lifes were merely a record of daily life. In fact, Sudek's still lifes were consciously and deliberately planned, but at the same time they were not removed from the context of daily life. They had an emotional content and were composed of objects that he cherished.



Qualified Consulting

Based on detailed analyses of each individual shareholding, taking into account both the macro and micro environment of the companies in question, PPF CONSULTING proposes to clients solutions that aim to ensure the most effective possible return on their equity participations. The result is a recommendation of further steps including specific instructions on how to proceed. Starting in 2000, the company now offers consulting services to clients that hold equity participations in companies that have gone into bankruptcy, liquidation or are subject to settlement proceedings. These included in particular shareholdings in Rukavičkářské závody, Premiéra TV and Vítkovice. In some cases, strategies have already been prepared for definitive solutions to some of these investments.

Obtaining Effective Returns on Shareholdings

The range of possible solutions and recommendations in the area of portfolio investments includes the sale of a given ownership participation. PPF CONSULTING's interest and aim is to ensure for its clients the maximum possible return on minority shares by selling them at better terms than those that would be attainable through the public equity markets. This can be achieved, for example, by teaming up with other shareholders who are also interested in selling their stakes, or by other forms of sale. Major sales of portfolio investments concluded in 2000 on behalf of clients included shares in Dům módy, Živnobanka, Frigera and Colorlak.

At the present, the main thrust of our activities is aimed at resolving disputes with the majority shareholder of Kablo Kladno. Furthermore, PPF CONSULTING will participate in the preparation and realization of several acquisition projects.

...is more than a fashionable slogan. It is a principle upon which a company builds its reputation and credibility. Only those who connect their professional skills with decency, reliability and respect to other people gain the respect that forms the foundation of their long-term success.



**The Magic Garden During
a Summer Shower**

Josef Sudek

Sudek was pioneering a type of photography whose time had not yet come. They were photographs which were capable of portraying superbly a subjective, inner world, in which subtle visual compositions and masterful lighting create an elaborate complex of reflections and re-reflections – a new world of the imagination, where the objects interacted like enigmatic, alchymistic riddles.

PPF (Cyprus) Ltd., PPF Financial Services Ltd.

Area of business:	asset management and securities brokerage
Date of inception:	9 February 1998
License obtained:	1998 (from Central Bank of Cyprus)
Registered office:	Nicosia, Cyprus
Registered capital:	75,736 US\$
Auditor for 2000:	KPMG Cyprus
Memberships:	CIFSA – Cyprus International Financial Services Association
Board of Directors:	Miroslav Horský – Chairman Arin Nahikian Spyroulla Papaeracleous Georgios Syrimis Athinodoros Athinodorou
Company management:	Miroslav Horský – Chief Executive
Principal businesses:	providing financial services associated with asset management and securities trading

Activities in 2000

PPF (Cyprus) Ltd. is a 100% subsidiary of PPF a.s. active outside the Czech Republic. The company was established in early 1998. During that same year it obtained a license from the Central Bank of Cyprus for providing services associated with asset management. Like the other members of the PPF Group, PPF (Cyprus) Ltd. offers financial services focused on asset management and management of third party portfolios in accordance with the laws of Cyprus.

PPF (Cyprus) Ltd. has a sister company, PPF Financial Services Ltd. That company also has a license from the Central Bank of Cyprus for providing financial services. As a securities brokerage, PPF Financial Services Ltd. offers to its clients services associated with securities trading (acting as an intermediary, completing trades). PPF Financial Services Ltd. is a member of CIFSA – the Cyprus International Financial Services Association, an organization whose members' highest information disclosure requirements make them highly regulated, transparent entities in the Cyprus market.

Both companies provide financial services to foreign investors who are interested in investing in the Czech capital market. It then goes on to provide comprehensive management of their investments in the Czech Republic. PPF's principal aim is to offer foreign clients quality, professional management of their assets and deliver an effective return on their investments over the specified time period.

PPF Group is one of the biggest financial groups in the Czech Republic and is currently expanding its activities beyond the borders of the Czech Republic as well.

10 years – an important

1991

- September sees the inception of Správa prvního privatizačního fondu a.s. (Správa PPF) and the creation of four privatization funds for the first wave of voucher privatization. PPF had commenced its activities in the area of collective investment.

1992

- In accordance with the law, Správa PPF is changed into PPF investiční společnost a.s. The funds are also changed – from privatization funds into investment funds.

1993

- The PPF investment funds take over shares in 202 companies with a par value of CZK 4.9 billion, making PPF the number six investment company in terms of the number of voucher points gathered.
- The company establishes two mutual funds for the second wave of voucher privatization.

1994

- PPF burzovní společnost a.s. commences securities brokerage activities under license.
- PPF takes part in the privatization process in Russia.

1995

- The PPF investment funds merge into a single fund – První český investiční fond a.s. The PSE's quotation committee approves the fund's listing and its shares enter into continual trading in the PSE's main market.
- PPF establishes specialized subsidiaries, PPF majetková a.s. and PPF Capital Management a.s., thereby expanding its activities to include real estate management and administration of strategic investments.

During our 10 years in business, PPF's successes have made us one of the largest financial groups in the Czech Republic. Our corporate culture, mission and philosophy have developed over the years. Today, we can build on our traditions, experience and, most importantly, our skilled, loyal staff. All of this makes us a reputable, professional and successful company. Our past successes represent a great challenge for us as we go towards the future in which we want to position ourselves as a strategic investor focused on providing financial services to retail clients both in the Czech Republic and in the wider region of Central Europe.

landmark in our company's history

1996

- The General Meeting of První český investiční fond a.s. approves transformation into PPF investiční holding a.s. In this manner, PPF's long-term investment plans and its role as strategic investor are declared.
- PPF investiční holding a.s. acquires a substantial stake in Česká pojišťovna and begins to play an active role in its management. At the instigation of PPF, a process of internal restructuring is begun at the insurer. Česká pojišťovna becomes a strategic investment for PPF.
- PPF majetková a.s. becomes the first in the Czech Republic to obtain a license to administer and develop real estate funds.

1997

- The CNB grants PPF burzovní společnost a.s. a license to trade in foreign securities.
- With the establishment of Home Credit a.s., PPF commences its activities in the consumer credit area and begins to offer services associated with the sale of consumer goods on installment plan.

1998

- Starting in January, PPF a.s. assumes the role of management company for the PPF Financial Group.
- PPF Securities a.s., later renamed to PPF CONSULTING a.s., commences business activities in the area of portfolio investment management.
- In order to be able to act as a broker to foreign companies wishing to invest in the Czech market and to manage their assets, PPF establishes Cyprus-based PPF (Cyprus) Ltd. and PPF Financial Services Ltd.

1999

- PPF investiční společnost a.s. and PPF burzovní společnost a.s. successfully undergo the process of re-licensing mandatory for all Czech capital market players.
- PPF investiční společnost a.s. commences sale of unit certificates of the open-end mutual fund PPF Smíšený otevřený podílový fond.
- The PPF funds receive top ratings in terms of returns achieved on unitholder assets.
- Home Credit a.s. begins offering consumer credit services in the Slovak market through its subsidiary Home Credit Slovensko a.s.

2000

- Under the leadership of PPF, Česká pojišťovna has posted steadily increasing profits since 1996, expanding and improving its services. In this manner, PPF has created the potential for further expansion and development of Česká pojišťovna.
- PPF investiční holding a.s. announces that it is acting in concert with the Cespo companies, thereby making it the majority shareholder of Česká pojišťovna a.s.
- In December PPF a.s., as the company authorized to exercise shareholder rights on behalf of entities acting in concert, enters into control agreements with Česká pojišťovna a.s. and ČP finanční servis a.s. in accordance with new law governing groups of companies provisions contained in an amendment to the Commercial Code.
- PPF burzovní společnost a.s. records record 37% year-on-year growth in assets under management, to CZK 13.1 billion.

2001

- PPF Group is one of the largest financial groups in the Czech Republic and is expanding beyond the country's borders as well.
- Under PPF's leadership, Česká pojišťovna a.s. achieved one of the highest ratings (BB+) for a Czech institution from the credit rating agency Standard & Poor's, placing it strongest and most healthy financial institutions in the Czech Republic.
- PPF's specialized companies are ranked in top positions in their areas of business. PPF investiční společnost a.s., with over CZK 2 billion in assets under management, is ranked the number seven investment company in the Czech Republic. Home Credit a.s. is the Slovak market leader and one of the three biggest specialized consumer credit companies in the Czech market. PPF burzovní společnost a.s. holds onto its position as one of the biggest securities brokerage houses. PPF majetková is a major player in the real estate market.



Memories of Dreams

Josef Sudek

From Rothmayer's Garden is an extensive series of photographs with a magical atmosphere. Many of them are almost indescribable in their effect. Sudek and Rothmayer added to the natural composition of garden quite surrealist objects: glass, eyes placed into stones, the wrapped head of statue or a black mask. Sudek functioned as a photographer, director and stage designer.

Auditors' Report

Auditors' report to the Shareholders of PPF a.s.

On the basis of our audit, on 17 April 2001 we issued an auditor's report on the Company's statutory financial statements, which are included in this annual report, and our report was as follows:

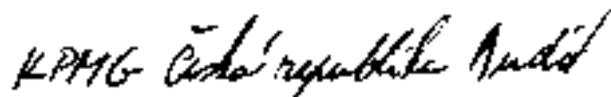
"We have audited the accompanying consolidated financial statements of PPF a.s. for the year ended 31 December 2000. These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of PPF a.s. and its subsidiaries, as at 31 December 2000, and the results of their operations, cash flows and changes in equity for the year then ended in accordance with International Accounting Standards."

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

In Prague, 23 May 2001



KPMG Česká republika Audit, spol. s r.o

Consolidated Balance Sheet as at 31 December 2000, with comparative figures for 1999 and 1998
(expressed in thousands of Czech crowns)

	Note	2000	1999	1998
Assets				
Current assets				
Cash		248,917	153,809	400,999
Trading securities		128,188	48,532	136,290
Receivables	4	126,082	297,940	490,220
Income tax receivable		19,429	642	–
Current portion of long-term receivables	11	20,680	941,217	–
Prepaid expenses and other assets		34,314	34,689	35,648
		577,610	1,476,829	1,063,157
Non current assets				
Long-term receivables	4, 11	2,106,702	66,750	22,757
Goodwill	5	196,467	320,119	427,419
Investments		39,857	7,082	25,437
Property and equipment	6	45,275	83,743	68,126
Deferred tax assets	9	–	–	569
		2,965,911	1,954,523	1,607,465
Liabilities and Shareholders' Equity				
Current liabilities				
Income tax liabilities		3,762	37,434	18,575
Accounts payable and accrued liabilities	4	151,795	241,180	847,808
		155,557	278,614	866,383
Non current liabilities				
Long-term payables	4, 11	2,167,050	977,900	70,900
Negative goodwill	7	36,182	61,696	87,112
Deferred tax liabilities	9	5,526	9,684	13,356
		2,208,758	1,049,280	171,368
Shareholders' equity				
	8			
Share capital		420,000	420,000	420,000
Share premium		35,691	70,000	70,000
Revaluation reserve		(760)	(758)	(1,880)
Legal reserve fund		8,201	6,691	520
Translation reserve		534	264	(309)
Retained earnings/(accumulated deficit)		44,678	40,485	(4,776)
		508,344	536,682	483,555
Minority interest		93,252	89,947	86,159
		2,965,911	1,954,523	1,607,465

See accompanying notes to financial statements.

Consolidated Statement of Operations and Retained Earnings for the year ended
31 December 2000, with comparative figures for 1999 and 1998 (expressed in thousands of Czech crowns)

	Note	2000	1999	1998
Operating revenues				
Fees and commissions		326,645	368,288	224,026
Net (losses)/gains on trading securities		(11,572)	20,710	11,141
Other operating revenue		68,628	40,038	50,218
		383,701	429,036	285,385
Operating expenses				
Wages and salaries		100,435	89,407	68,892
Interest expense		159,270	30,892	21,246
Depreciation	6	18,410	13,881	13,226
Bad debt provisions		27,074	–	–
Legal and professional fees		42,687	63,898	74,376
Rentals		30,872	28,539	11,742
Other expenses		80,590	37,698	45,198
		459,338	264,315	234,680
Operating profit		(75,637)	164,721	50,705
Investing activities				
Interest income		192,953	43,598	20,085
Net realised gains on investments		1,089	4,990	26,164
Write-down of investments		(6,296)	–	–
Net (amortisation)/accretion of goodwill and negative goodwill	5,7	(98,138)	(82,478)	(82,418)
Other investing income		28,071	2,924	23,797
Other investing expense		(34,002)	(9,882)	(5,386)
		83,677	(40,848)	(17,758)
Net profit before taxes and minority interest		8,040	123,873	32,947
Taxes on ordinary income	10	32,894	69,547	49,542
		(24,854)	54,326	(16,595)
Minority interest		(3,307)	(3,060)	(1,614)
Net (loss)/profit for the year		(28,161)	51,266	(18,209)
Retained earnings/(accumulated deficit), beginning of year		40,485	(4,776)	13,953
Dividends paid		(445)	–	–
Transfer to legal reserve		(1,510)	(6,005)	(520)
Transfer from share premium		34,309	–	–
Retained earnings/(accumulated deficit), end of year		44,678	40,485	(4,776)

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows for the year ended 31 December 2000,
with comparative figures for 1999 and 1998 (expressed in thousands of Czech crowns)

	Note	2000	1999	1998
Cash flows from operating activities				
Net profit for the year before tax and minority interest		8,040	123,873	32,947
Adjustments for:				
Depreciation and amortisation		18,410	13,881	13,226
Net amortization of goodwill and negative goodwill		98,138	82,478	82,418
Net (profit)/loss on sale of property and equipment		(56,376)	2,013	14,589
Write-down of investment		6,296	–	–
Net realised gain on sale of long-term investments		(1,089)	(4,990)	(26,164)
Movement in unrealised loss on trading securities		9,431	892	966
Other non cash movements		1,925	882	(400)
Operating profit before changes in operating assets and liabilities		84,775	219,029	117,582
Decrease/(increase) in receivables		171,858	192,280	(298,526)
(Increase)/decrease in trading securities		(89,087)	86,866	(112,662)
Decrease/(increase) in prepaid expenses and other assets		375	959	(12,494)
Increase in long-term receivables		1,119,415	(985,210)	–
(Decrease)/increase in accounts payable and accrued liabilities		(89,385)	(606,628)	(89,369)
		1,125,654	(1,311,733)	(513,051)
Net cash used in operating activities before tax		1,040,879	(1,092,704)	(395,469)
Income taxes paid		(89,511)	(54,433)	(35,775)
Net cash used in operating activities		(1,130,390)	(1,147,137)	(431,244)
Cash flows from investing activities				
Additions to property and equipment		(32,243)	(36,004)	(60,274)
Cost of investments purchased		(92,376)	(6,966)	(1,330,537)
Proceeds from sale of investments		54,391	31,424	1,407,840
Proceeds from disposal of fixed assets		107,021	4,493	10,487
Net cash provided from investing activities		36,793	(7,053)	27,516
Cash flows from financing activities				
Proceeds from issuance of share capital		–	–	90,000
Proceeds from issue of bonds		1,093,000	907,000	–
Long-term payables		96,150	–	70,900
Dividends paid		(445)	–	–
Net cash provided from financing activities		1,188,705	907,000	160,900
Net increase/(decrease) in cash		95,108	(247,190)	(242,828)
Cash, beginning of year		153,809	400,999	643,827
Cash, end of year		248,917	153,809	400,999

See accompanying notes to financial statements.

Consolidated Statement of Total Recognised Gains and Losses for the year ended
31 December 2000, with comparative figures for 1999 and 1998 (expressed in thousands of Czech crowns)

	2000	1999	1998
Movement in deficit on revaluation of investments	(2)	1,122	18,367
Movement in translation reserve	270	573	(309)
Net gains/(losses) not recognised in the statement of operations	268	1,695	18,058
Net (loss)/profit for the period	(28,161)	51,266	(18,209)
Total recognised gains and losses	(27,893)	52,961	(151)

See accompanying notes to financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2000

1. Description and principal activities

(a) Establishment and description of the Company

PPF a.s. ("the Company") was established on 18 November 1996 and recorded in the Commercial Register on 13 January 1997. The Company was formed mainly as a holding company for the PPF group of companies. The Company provides administrative support for the PPF group of companies

(b) Ownership structure

The majority of the Company's shares are held by one individual.

(c) Registered office

PPF a.s.
Na Pankráci 121
Praha 4
Czech Republic

(d) Members of the board of directors and supervisory board at 31 December 2000

<i>Members of the board of directors</i>	<i>Members of the supervisory board</i>
Petr Kellner	Martin Dindoš
Ladislav Bartoníček	František Tlustoš
Milan Maděryč	Lenka Šafránková
Štěpán Popovič	

2. Significant accounting policies

The significant accounting policies adopted in the preparation of the Company's consolidated financial statements are set out below:

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Accounting Standards under the historical cost convention and accrual accounting, except for investments and trading securities which are carried at the lower of cost and market value as described below.

(b) Basis of consolidation

Assets, liabilities and results of subsidiaries of the Company are included in consolidated financial statements. For any subsidiary acquired during the year, the purchase method of accounting for the business combination has been used and only the portion of results of the subsidiary from the date of purchase are included in the consolidated statement of operations. Non-consolidated subsidiaries are carried at cost less any decline in value.

(c) Goodwill and negative goodwill

The difference between the net asset value and the purchase price of a subsidiary is recorded as goodwill (purchase price in excess of net assets), or negative goodwill (net assets in excess of purchase price), by the Company. Goodwill and negative goodwill are amortised or accreted, as appropriate, to the consolidated statement of operations on a straight line basis over a period of five years from the date of acquisition.

(d) Investments

Investments are held for the long-term and are stated at lower of cost and market value on an aggregate portfolio basis determined by individual company. Market values of domestic investments are determined based on prices quoted by the Prague Stock Exchange ("PSE") or RM System. Foreign securities are valued based on prices quoted by recognized markets in the appropriate countries.

Unrealised losses on marketable securities carried as part of investments due to temporary declines in market value are recorded through shareholders' equity as "revaluation reserve". All other declines in the value of investments are taken to the statement of operations. Unrealized gains are not recognized in the financial statements.

The cost of investments sold is determined using the weighted average method. All realised gains and losses on the sale of investments are taken to the statement of operations.

(e) Trading securities

Trading securities are valued at the lower of cost or market value on an individual basis. The cost of investments sold is determined using the average cost method. All realised gains and losses are taken to the statement of operations. Unrealised revaluation losses are recorded through the statement of operations.

(f) Property and equipment

Property and equipment are stated at acquisition cost less depreciation. Depreciation is calculated using the straight-line method over the following periods:

Asset	Period
Buildings	30 years
Motor vehicles	4 years
Furniture and other equipment	4 – 15 years
Software	4 years

Depreciation of property and equipment commences in the month following acquisition.

(g) Foreign currency translation*i) Foreign currency transactions*

Transactions in foreign currencies are converted at the rate of exchange ruling at the transaction date. At the balance sheet date, foreign currency monetary assets and liabilities are converted at the rate of exchange ruling at that date. Resulting exchange differences are recognised in the statement of operations.

ii) Financial statements of foreign operations

Foreign operations are not considered an integral part of the parent company's operations. Accordingly, their assets and liabilities are translated at the exchange rate at the balance sheet date, items of income and expense are translated using the average exchange rate for the period. Resulting exchange differences are recognised directly in equity, through a 'translation reserve'.

(h) Taxation

Tax expense on the profit or loss for the year comprises current tax and the net change in deferred tax. Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rate effective at the balance sheet date, and any adjustment of tax payable for previous years.

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized.

(i) Reclassifications

Certain amounts in the 1998 and 1999 financial statements have been reclassified to conform with 2000 presentation.

3. Subsidiaries

(a) The group companies which have been consolidated into the financial statements and the dates of acquisition of each are as follows:

Company	Ownership	Date of acquisition
PPF Majetková a.s.	100.0%	March 1997
PPF Burzovní společnost a.s.	100.0%	May 1997
PPF Capital Management a.s.	60.0%	May 1997
CM – Credit a.s.	60.0%	May 1997
PPF Investiční společnost a.s.	79.75%	76.2% December 1997
		1.11% December 1998
		2.44% March 1999

Each of the companies above is registered in the Czech Republic and the financial statements of each were audited by KPMG Česká republika Audit, spol. s r.o.

The following group companies were purchased by PPF a.s. from PPF Investiční společnost a.s on 26 May 1999, and as such have been included in the consolidated financial statements of PPF a.s. The date of acquisition represents the date originally purchased by PPF Investiční společnost a.s. The resulting net gain on this sale of TCZK 3,174 was reduced by TCZK 2,580 on consolidation to eliminate the group's share of the profit on the sale from one group company to another.

Company	Ownership	Date of acquisition
PPF Financial Services Ltd.	100%	February 1998
PPF Cyprus Ltd	100%	February 1998

PPF Financial Services Ltd and PPF Cyprus Ltd are registered in Cyprus and the financial statements were audited by KPMG Certified Public Accountants (Cyprus).

(b) Subsidiaries excluded from consolidation

The following financial investments were excluded from full consolidation in 2000, since control is intended to be temporary because the subsidiary is acquired and held exclusively with the view to its subsequent disposal in the near future or for reason of immateriality.

	Equity share (%)
Českomoravská investorská, a.s.	80
Home Net a.s.	100
PPF Servis a.s.	100
PP&M a.s.	100
Studia animovaného filmu a.s.	60
Eline a.s.	100
Zábavní a výstavní park a.s.	96
WFOE – ZH S.A.	80

4. Related party balances and transactions

The Company has a related party relationship with its non-consolidated subsidiaries (refer note 3(b)), with its Directors and Executives, and enterprises in which it has in common key members of management.

(a) Receivables, payables

(in thous. CZK)	2000	1999	1998
Short-term receivables	49,416	–	1,149
Long-term receivables	2,014,470	946,706	13,099
Accounts payable and accrued liabilities	18	5,742	545
Long-term payables	2,000,000	907,000	–

(b) Securities transactions

During the course of the year the Company had the following securities transactions at arm's length with related parties:

(in thous. CZK)	2000	1999	1998
Total sales	288,413	129,474	225,285
Total purchases	137,386	81,715	589,640

(c) Management fees

Included in fees and commissions are management fees charged at arm's length to related funds and companies managed by certain of the Company's subsidiaries. Management fees earned from related funds and companies recorded in the 2000 consolidated statement of operations totalled 44,892 thousand CZK (1999 – 35,920 thousand CZK; 1998 - 34,778 thousand CZK).

5. Goodwill

Goodwill recorded on subsidiaries purchased comprised the following:

(in thous. CZK)	PPF Investiční společnost	PPF Capital Management	PPF Majetková	PPF Financial Services	Total
Goodwill	489,849	49,311	340	682	540,182
Accumulated amortisation	(293,992)	(49,311)	(208)	(204)	(343,715)
Net, 31 December 2000	195,857	–	132	478	196,467
Net, 31 December 1999	293,827	25,478	200	614	320,119
Net, 31 December 1998	391,864	35,340	215	–	427,419

6. Property and equipment

Property and equipment is comprised as follows:

(in thous. CZK)	Land and buildings	Motor vehicles	Furniture and other equipment	Software	Assets under constr'n	Total
Cost						
Balance, 1 January 2000	11,992	24,301	33,441	21,519	23,387	114,641
Additions	18,010	4,953	7,525	1,344	411	32,243
Transfer	–	528	(528)	–	–	–
Disposals	(25,841)	(3,016)	(3,790)	(1,965)	(23,798)	(58,410)
Balance, 31 December 2000	(4,161)	26,766	36,649	20,898	–	88,474
Accumulated depreciation						
Balance, 1 January 2000	646	8,803	17,683	3,765	–	30,897
Depreciation expense	62	6,151	7,036	5,161	–	18,410
Disposals	(596)	(1,687)	(3,459)	(367)	–	(6,109)
Balance, 31 December 2000	112	13,267	21,261	8,559	–	43,199
Net book value, 31 December 2000	4,049	13,499	15,388	12,339	–	45,275
Net book value, 31 December 1999	11,346	15,498	15,758	17,754	23,387	83,743
Net book value, 31 December 1998	16,019	14,746	16,957	13,630	6,774	68,126

7. Negative goodwill

Negative goodwill recorded from the purchase of PPF Burzovní společnost a.s. comprised the following:

(in thous. CZK)	2000	1999	1998
Negative goodwill	127,481	127,481	127,481
Accumulated accretion	(91,361)	(65,865)	(40,369)
Total	36,120	61,616	87,112

Negative goodwill recorded from the purchase of PPF Cyprus Limited comprised the following:

(in thous. CZK)	2000	1999
Negative goodwill	88	88
Accumulated accretion	(26)	(8)
Total	62	80

8. Share capital

(in thous. CZK)	Share capital	Share premium	Legal reserve	Revaluation reserve	Translation reserve	Retained earnings	Total
Balance at							
1 January 1999	420,000	70,000	520	(1,880)	(309)	(4,776)	483,555
Increase in capital	–	–	166	–	309	–	475
Currency changes	–	–	–	–	264	–	264
Change in revaluation of investments	–	–	–	1,627	–	–	1,627
Change in minority interest portion	–	–	–	(505)	–	(3,060)	(3,565)
Transfers	–	–	6,005	–	–	(6,005)	–
Net profit for year	–	–	–	–	–	54,326	54,326
Balance at							
31 December 1999	420,000	70,000	6,691	(758)	264	40,485	536,682
Addition/use of reserves	–	–	–	–	270	–	270
Currency changes	–	–	–	–	–	–	–
Change in revaluation of investments	–	–	–	(3)	–	–	(3)
Change in minority interest position	–	–	–	1	–	(3,307)	(3,306)
Transfers to legal reserve	–	–	1,510	–	–	(1,510)	–
Transfers from share premium	–	(34,309)	–	–	–	34,309	–
Dividend paid	–	–	–	–	–	(445)	(445)
Net loss for year	–	–	–	–	–	(24,854)	(24,854)
Balance at 31 December 2000	420,000	35,691	8,201	(760)	534	44,678	508,344

9. Deferred taxation assets and liabilities

Deferred taxation assets and liabilities are attributable to the items described in the following table:

(in thous. CZK)	31 December 2000			Net	
	Assets	Liabilities	Net	1999	1998
Provisions not deductible for tax purposes	13,714	–	13,714	1,957	20,375
Accelerated amortisation for accounting purposes	–	(5,526)	(5,526)	(4,900)	(2,631)
Expected tax on dividends to be remitted from subsidiaries	–	–	–	(5,000)	(11,500)
Tax value of loss carry forwards	3,809	–	3,809	–	–
Net deferred tax assets (liabilities)	17,523	(5,526)	11,997	(7,943)	6,224

In accordance with the requirements of IAS 12, the deferred tax liabilities have been provided in full. No deferred tax assets (1999 – 216 TCZK; 1998 – 1,344 TCZK) because of the uncertainty surrounding the recoverability of such assets. In order to recognise deferred tax assets, it must be probable that future taxable profits will be available against which the deferred tax asset can be utilised. To the extent dividends remitted from subsidiaries are expected to result in additional tax liabilities, appropriate amounts have been provided. No deferred tax has been provided for unremitted earnings when such amounts are considered permanently reinvested. The tax losses carried forward are subject to limitations concerning their use. TCZK 1,671 can only be utilised against future realised gains on sale of securities. The tax losses can be carried forward for a total of 3 years. Total tax losses of 12,287 arose in 2000.

10. Taxation

Income tax in the Czech Republic is assessed at the rate of 31% (1999: 35%; 1998: 35%) of taxable income.

(in thous. CZK)	2000	1999	1998
Current year tax expense	37,720	73,425	35,573
Change in provision for deferred taxation	(4,158)	(3,103)	10,970
Prior year tax expense	(668)	(775)	2,999
Tax expense	32,894	69,547	49,542

The following is a reconciliation of income taxes calculated at the applicable tax rate with the income tax expense for the years ended 31 December 2000, 1999 and 1998.

(in thous. CZK)	2000	1999	1998
Profit before taxation	8,040	123,873	32,947
Computed taxation using applicable tax rate	2,492	43,356	11,531
Tax exempt income and non-deductible items	11,570	(5,781)	(13,324)
Expected tax payable on future dividends receivable	–	5,000	11,500
Goodwill amortisation not tax deductible	18,448	27,695	–
Adjustments to prior year tax charges	(668)	(775)	–
Current year tax loss carry forward not recognized	3,809	–	–
Tax on inter-company dividends	1,673	–	–
Other timing differences for statutory purposes	(4,430)	52	39,835
Tax expense	32,894	69,547	49,542

11. Financial instruments

A financial instrument is any contract that gives rise to the right to receive cash or another financial asset from another party (financial asset) or the obligation to deliver cash or another financial asset to another party (financial liability).

Financial instruments result in certain risks to the Group. The most significant risk facing the Group is discussed below.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The only interest bearing assets of the Group at 31 December 2000 were cash held in bank accounts and long-term receivables. Cash in bank accounts earned interest at applicable market rates. Interest on long-term receivables is detailed below. The Group had interest bearing liabilities which are detailed below.

(in thous. CZK)	31 December 2000		
	Outstanding value	Interest rate	Maturity
Long-term receivable	112,662	10%	6/2002
Long-term receivable*	250	7%	8/2002
Long-term receivable*	1,279,730	8.22%	9/2002
Long-term receivable*	418,800	8.22%	9/2003
Long-term receivable*	92,960	8.22%	10/2003
Long-term receivable*	62,300	8.22%	11/2003
Long-term receivable*	140,000	8.22%	12/2003
Long-term receivables total	2,106,702		
Short-term receivable	600	7%	12/2001
Short-term receivable	20,680	8.22%	9/2001
Short-term receivables total	21,280		
Long-term payable*	96,150	7%	1/2004
Long-term payable*	70,900	7%	12/2002
Long-term payable* – bonds issued**	2,000,000	PRIBOR +2%	9/2005
Long-term payables total	2,167,050		

* *Interest rate reprices annually*

** *Issuer of bond holds early settlement option which can be exercised at earliest 16. 9. 2001 and then at the following coupon dates of bonds (16. 9. 2003, 16. 9. 2004)*

(in thous. CZK)	31 December 1999		
	Outstanding value	Interest rate	Maturity
Long-term receivable*	35,125	10%	11/2002
Long-term receivable *	31,625	10%	12/2002
Total	66,750		
Current portion of long-term receivables	865,645	10%	Various within 1 year
Current portion of long-term receivables **	75,572	12% - 15%	Various within 1 year
Total	941,217		
Long-term payable	70,900	13.5%	12/200
Long-term payable – bonds issued	907,000	PRIBOR +2%	9/2005
Total	977,900		

* Interest rate reprices annually

** Includes TCZK 8,598 receivable from a member of the Board of Directors

12. Financial investments

Market values for investments and trading securities as determined in accordance with notes 2(d) and 2(e), respectively, are presented in the schedule of investments included as part of these financial statements. For long-term receivables and payables with fixed interest and maturity, fair value was estimated by applying risk adjusted discount factors to scheduled cash flows. For long-term receivables and payables which reprice within 12 months, carrying value was deemed to be the fair value.

(in thous. CZK)	31 December 2000	
	Carrying value	Estimated fair value
Long-term receivable	112,662	116,038
Long-term receivable	250	250
Long-term receivable	1,279,730	1,279,730
Long-term receivable	418,800	418,800
Long-term receivable	92,960	92,960
Long-term receivable	62,300	62,300
Long-term receivable	140,000	140,000
Long-term receivables total	2,106,702	2,110,078
Long-term payable	96,150	96,150
Long-term payable	70,900	70,900
Long-term payable – bonds issued	2,000,000	2,000,000
Long-term payables total	2,167,050	2,167,050

All other financial assets and liabilities are short term in nature or due on demand. The carrying values for these assets and liabilities are deemed to approximate their market values.

(in thous. CZK)	31 December 1999	
	Carrying value	Estimated fair value
Long-term receivable	35,125	35,125
Long-term receivable	31,625	31,625
Long-term receivables total	66,750	66,750
Long-term payable	70,900	83,261
Long-term payable – bonds issued	907,000	907,000
Long-term payables total	977,900	990,261

13. Employees

The average number of employees is as follows:

	2000	1999	1998
PPF a.s.	45	36	28
Other subsidiaries	97	102	102
	142	138	130

14. Contingencies

On 12 May 2000, a third party ("Entity A") filed a lawsuit against the one of the group companies, for delivery of unjustifiable enrichment, for the amount of TCZK 1,623,105. The group company intends to counter the lawsuit stating that the plaintiff's receivable is no longer enforceable in the full amount, as the result of mutual setting-off, since group company has set-off against this receivable a part of its own receivable in an amount equal to the amount which is the subject of the lawsuit. Moreover, within the same ruling, the group company filed a counter-claim for payment in the amount of TCZK 369,412 claiming the remaining entitlement to contractual penalty. No proceedings in this matter have taken place yet.

On 22 June 2000, the same group company filed a lawsuit against Entity A for payment of TCZK 385,630 as a net balance of mutual trading activities. On 9 February 2001, the court acquiesced to a second entity ("Entity B") the role as a defendant, and a third entity ("Entity C") was designated the role of guarantor.

On 4 September 2000, the same group company filed a lawsuit against Entity A for payment of TCZK 1,000,000 citing of breach of contract to settle the net balance of mutual trading activities. No proceedings in this matter have taken place yet.

Many parts of Czech commercial, securities and tax legislation remain untested and there is uncertainty about the interpretation that the financial authorities may apply in a number of areas. The effect of this uncertainty cannot be quantified and will only be resolved as legislative precedents are set or when the official interpretations of the authorities are available.

15. Subsequent events

On 9 March 2001, one of the group companies filed a lawsuit against a third party ("Entity D"), for payment of TCZK 1,506,983 for reasons of contractual penalty and compensation for damage in excess of the contractual penalty.

Trading securities

Issuer	Number of shares	Purchase price per share (CZK)	Totall cost (TCZK)	Market price per share (CZK)	Total market value (TCZK)
Česká pojišťovna a.s.	6,060	2,622	15,892	2130,00	12,908
CHEMAPOL a.s.	1	318	–	–	–
Lázně Teplice v Čechách a.s.	1,157	208	240	163,11	189
Kablo Kladno a.s.	14,604	521	7,613	556	8,120
PPF Otevřený PF smíšený	100	1,037	104	1,000	100
Zlínská dopravní, a.s	157,471	619	97,500	619	97,500
Applix Inc.	4,000	89	355	94,53	378
Central Europea	5,825	422	2,458	11,82	69
Česká pojišťovna a.s.	705	2,667	1,880	2386,12	1,682
Erste Bank	2,100	1,648	3,461	1684,32	3,537
Charter Communication	3,000	669	2,007	857,88	2,574
Chordiant Software	3,000	1,222	3,666	112,26	337
JDS Uniph. Corp.	250	2,458	614	1576,33	394
Mediacom Comm.	1,000	743	743	649,91	650
Microsoft	500	3,595	1,797	1640,14	819
Onvia.com	1,600	880	1,408	31,90	51
Ticket Com Inc.	5,000	11	53	10,63	53
Total trading securities			139,791		129,361

Investments**Marketable**

Issuer	Number of shares	Purchase price per share (CZK)	Total cost (TCZK)	Market price per share (CZK)	Total market value (TCZK)
BOPO a.s.	6,869	140	962	6	41
TechnoMax a.s.	8,003	39	312	–	–
Others			72		39
Total tradable			1,346		80

Non-marketable

Issuer	Total cost (TCZK)	Total carrying value (TCZK)
Českomoravská investorská, a.s.	1,000	1,000
Home net a.s.	1,000	1,000
PPF Servis a.s.	1,382	1,382
PP&M a.s.	1,000	1,000
Studia animovaného filmu a.s.	30,000	27,350
Eline a.s.	1,000	–
Zábavní a výstavní park a.s.	3,565	919
WFOE – ZH S.A.	7,084	7,084
Others	42	42
Total non-tradable	46,073	39,777
Write-down of investments	(6,296)	–
Total investment portfolio	41,123	39,857

Auditors' Report

Auditors' report to the Shareholders of PPF investiční společnost a.s.

On the basis of our audit, on 17 April 2001 we issued an auditor's report on the Company's statutory financial statements, which are included in this annual report, and our report was as follows:

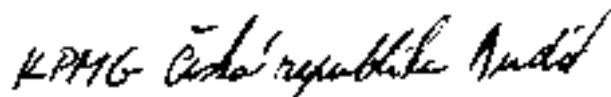
"We have audited the accompanying consolidated financial statements of PPF investiční společnost a.s. for the year ended 31 December 2000. These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of PPF investiční společnost a.s. and its subsidiaries, as at 31 December 2000, and the results of their operations, cash flows and changes in equity for the year then ended in accordance with International Accounting Standards."

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

In Prague, 23 May 2001



KPMG Česká republika Audit, spol. s r.o.

Consolidated Balance Sheet as at 31 December 2000, with comparative figures for 1999 and 1998
(expressed in thousands of Czech crowns)

	Note	2000	1999	1998
Assets				
Current assets				
Cash and short term deposits		29,872	20,715	298,852
Management fees receivable	5	3,853	3,540	2,315
Prepaid expenses and other receivables	4	1,589	1,509	460,884
Related party receivables	5	6,896	858	998
		42,210	26,622	763,049
Investments	6	–	100	1,214
Property and equipment	7	2,282	2,624	3,264
		44,492	29,346	767,527
Liabilities and Shareholders' Equity				
Current liabilities				
Related party payables	5	488	360	190
Other payables and accrued liabilities	8	7,511	2,652	746,962
		7,999	3,012	747,152
Non-current liabilities				
Deferred taxation		243	298	309
Shareholders' equity				
Share capital	10	20,000	20,000	17,850
Legal reserve fund		3,793	3,643	3,643
Translation reserve		–	–	(400)
Retained earnings/(accumulated deficit)		12,457	2,393	(1,027)
		36,250	26,036	20,066
		44,492	29,346	767,527

See accompanying notes to financial statements.

Consolidated Statement of Operations and Retained Earnings for the year ended
31 December 2000, with comparative figures for 1999 and 1998 (expressed in thousands of Czech crowns)

	Note	2000	1999	1998
Operating revenues				
Fees and commissions	11	44,892	35,920	34,895
Other operating revenues		5,074	5,770	3,889
		49,966	41,690	38,784
Operating expenses				
Services		25,408	27,286	30,255
Wages and salaries	12	6,058	5,832	3,805
Social security expenses	12	2,218	2,088	1,365
Depreciation expense	7	800	811	671
Materials and energy consumed		246	244	327
Remuneration of Board members		–	–	300
Other operating expenses		2,423	5,462	4,691
		37,153	41,723	41,414
Operating loss		12,813	(33)	(2,630)
Investing activities				
Gain on sale of investments		180	3,802	–
Other investing revenues		1,615	31	65
Interest revenue		1,073	863	3,572
Interest expense		–	(7)	–
Net profit/(loss) on disposal of property and equipment		1,485	12	(2,694)
Other investing expenses		(389)	(371)	(494)
		3,964	4,330	449
Net profit/(loss) for the year before taxes		16,777	4,297	(2,181)
Taxes on ordinary income	13	(4,363)	(877)	(3,704)
Net profit/(loss) for the year		12,414	3,420	(5,885)
Retained earnings/(accumulated deficit), beginning of year		2,393	(1,027)	5,058
Dividends		(2,200)	–	–
Transfer to legal reserve fund		(150)	–	(200)
Retained earnings/(accumulated deficit), end of year		12,457	2,393	(1,027)

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows for the year ended 31 December 2000, with comparative figures for 1999 and 1998 (expressed in thousands of Czech crowns)

	2000	1999	1998
Cash flows from operating activities			
Net gain/(loss) for the year before tax	16,777	4,297	(2,181)
Adjustments for:			
Net gain on sale of investments	(180)	(3,802)	–
Loss on sale of employee shares	–	390	–
Net realised (gain)/loss on disposal of property and equipment	(1,485)	(12)	2,694
Depreciation expense	800	811	671
Operating profit before changes in operating assets and liabilities	15,912	1,684	1,184
(Increase)/decrease in related party receivables	(6,038)	(2,266)	24,368
(Increase)/decrease in management fees receivable	(313)	(1,225)	(2,315)
(Increase)/decrease in prepaid expenses and other receivables	(652)	459,082	(459,365)
Increase/(decrease) in related party payables	128	170	(995)
Increase/(decrease) in other payables and accrued liabilities	1,195	(741,402)	719,607
	(5,680)	(285,641)	281,300
Net cash provided by/(used in) operating activities before tax	10,232	(283,957)	282,484
Income tax (payments)/recoveries	(181)	(1,696)	909
Net cash provided by/(used in) operating activities	10,051	(285,653)	283,393
Cash flows from investing activities			
Purchase of property and equipment	(466)	(996)	(1,080)
Proceeds from sale of property and equipment	1,492	316	8,215
Proceeds from sale of subsidiary, net of cash disposed of	–	4,424	–
Proceeds from sale of investments	280	1,846	–
Net cash provided by investing activities	1,306	5,590	7,135
Cash flows from financing activities			
Proceeds from issue of share capital	–	2,150	–
Dividends paid	(2,200)	–	–
Net cash (used in)/provided by financing activities	(2,200)	2,150	–
Other non cash movements	–	(224)	(400)
Net increase/(decrease) in cash	9,157	(278,137)	290,128
Cash, beginning of year	20,715	298,852	8,724
Cash, end of year	29,872	20,715	298,852

See accompanying notes to financial statements.

Statement of Recognised Gains and Losses for the year ended 31 December 2000, with comparative figures for 1999 and 1998 (expressed in thousands of Czech crowns)

	2000	1999	1998
Movement in translation reserve	–	400	(400)
Net gains not recognised in the statement of operations	–	400	(400)
Net profit for the period	12,414	3,420	5,885
Total recognised gains and losses	12,414	3,820	(6,285)

See accompanying notes to financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2000

1. Description and principal activities

(a) Establishment and description of the Company

PPF investiční společnost a.s. ("the Company") was established in accordance with section 25 of Act No. 104/1990 Coll. "Joint Stock Companies Act", on the basis of a founding agreement on 2 September 1991 and the Memorandum and Articles of Association of the Company. The principal business of the Company is the management and administration of mutual funds in the Czech Republic.

(b) Registered office

PPF investiční společnost a.s.
Na Pankráci 121
Praha 4
Czech Republic

(c) Members of the board of directors and supervisory board at 31 December 2000

<i>Members of the board of directors</i>	<i>Members of the supervisory board</i>
Pavel Veselý	Radek Krůžela
Jan Robin Valdinger	Alena Bernreiterová
Štefan Košťalik	Petr Vidner

2. Significant accounting policies

The significant accounting policies adopted in the preparation of the Company's consolidated financial statements are set out below:

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Accounting Standards and under the historical cost convention, except as described below.

(b) Basis of consolidation

The Company had no subsidiaries in 2000. Results of subsidiaries of the Company are included in the consolidated financial statements for the year ended 31 December 1999 and 1998. For subsidiaries acquired or disposed of during the year only the portion of results of the subsidiary up to the date of sale are included in the consolidated statement of operations.

(c) Property and equipment

Property and equipment are stated at acquisition cost less depreciation. Depreciation is calculated using the straight-line method over the following periods:

Asset	Period
Building reconstruction	5 years
Data processing equipment	4 years
Motor vehicles	4 years
Furniture and other equipment	6 years
Software	4 years

Depreciation of property and equipment commences in the month following acquisition.

(d) Investments

Investments are held for the long-term and are stated at acquisition cost. Where the value of an investment has been permanently impaired, the book value of the investment is adjusted to reflect market value. Adjustments to the carrying value are recorded through the statement of operations.

(e) Loans and accounts receivable

The Company establishes adjustments and reserves against loans and accounts receivable based on their analysis of the credit status of their clients. Adjustments are calculated for specific credit risks.

(f) Foreign currency translation*i) Foreign currency transactions*

Transactions in foreign currencies are converted at the rate of exchange ruling at the transaction date. At the balance sheet date, foreign currency monetary assets and liabilities are converted at the rate of exchange ruling at that date. Resulting exchange differences are recognised in the statement of profit and loss.

ii) Financial statements of foreign operations

Foreign operations were not considered an integral part of the Company's operations. Accordingly, their assets and liabilities were translated at the exchange rate ruling at the balance sheet date, items of income and expense were translated using the average exchange rate for the period. Resulting exchange differences were recognised directly in equity, through a 'Translation Reserve'.

(g) Taxation

Tax expense on the profit or loss for the year comprises current tax and the net change in deferred tax. Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rate effective at the balance sheet date, and any adjustment of tax payable for previous years.

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized.

(h) Reclassifications

Certain amounts in the 1998 financial statements have been reclassified to conform to 2000 presentation.

3. Subsidiaries

The group companies which have been consolidated into the financial statements and the dates of acquisition and disposal of each are as follows:

<u>Company</u>	<u>Ownership</u>	<u>Date of acquisition</u>	<u>Date of disposal</u>
PPF Financial Services Ltd	100%	9 February 1998	26 May 1999
PPF Cyprus Ltd	100%	9 February 1998	26 May 1999

PPF Financial Services Ltd and PPF Cyprus Ltd are registered in Cyprus and the financial statements were audited by KPMG Certified Public Accountants (Cyprus).

4. Prepaid expenses and other receivables

Prepaid expenses and other receivables at 31 December 1998 included an amount of TCZK 459,879 (USD 15,422,000) owed by the P1 Trust, for whom PPF Cyprus Ltd acted as trustee, relating to a liability for the purchase of marketable securities. The amount was repaid during 1999.

5. Related party receivables and payables

(a) Receivables

(in thous. CZK)	2000	1999	1998
PPF Cyprus Ltd	280	–	–
PPF burzovní spol. a.s.	6,571	851	851
CM – Credit a.s.	45	–	–
PPF a.s.	–	7	146
PPF OPF	482	463	–
PPF ČPF	2,137	2,103	1,599
PPF MPF	1,234	974	716
PPF růst. uzavřený podílový fond	–	–	1
Total related party receivables	10,749	4,398	3,313

(b) Payables

(in thous. CZK)	2000	1999	1998
PPF a.s.	416	360	–
PPF Capital Management a.s.	54	–	190
PPF MPF	–	–	–
PPF ČPF	–	–	–
PPF CONSULTING a.s.	18	–	–
Total related party payables	488	360	190

6. Investments

The cost of investments is nil TCZK as at 31 December 2000 (1999: 100 TCZK, 1998: 1,214 TCZK).

7. Property and equipment (continued next page)

(in thous. CZK)	Buildings and land	Data, Processing, Equipment	Motor, Furniture and other Vehicles equipment
Cost			
Balance 1 January 2000	938	1,603	2,143
Additions	–	51	42
Disposals	(388)	(102)	–
Balance 31 December 2000	550	1,552	2,185
Accumulated depreciation			
Balance 1 January 2000	438	1,313	1,340
Additions	19	89	345
Disposals	(388)	(101)	–
Balance 31 December 2000	69	1,301	1,685
Net book value, 1 January 2000	500	290	803
Net book value, 31 December 2000	481	251	500

(in thous. CZK)	Works of art	Total
Cost		
Balance 1 January 2000	348	6,252
Additions	–	426
Disposals	–	(742)
Balance 31 December 2000	348	5,936
Accumulated depreciation		
Balance 1 January 2000	–	3,628
Additions	–	760
Disposals	–	(734)
Balance 31 December 2000	–	3,654
Net book value, 1 January 2000	348	2,624
Net book value, 31 December 2000	348	2,282

During the year, low value assets were purchased and expensed directly to the statement of operations. The value of these items was TCZK 40 (1999: TCZK 78).

8. Other payables and accrued liabilities

Other payables and accrued liabilities at 31 December 1998 included an amount of TCZK 743,087 (USD 24,920,000) relating to the cost of marketable securities described in note 5. The amount was repaid during 1999.

9. Deferred taxation assets and liabilities

Deferred taxation assets and liabilities are attributable to the items described in the following table:

(in thous. CZK)	31 December 2000			31 December 1999		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Accelerated amortisation for accounting purposes	–	(243)	(243)	–	(298)	(298)
Net deferred tax (liabilities)/assets	–	(243)	(243)	–	(298)	(298)

In accordance with the requirements of IAS 12, deferred tax liabilities have been provided in full.

10. Share capital

As at 31 December 2000, 1999 and 1998 the registered capital of the Company was:

(in thous. CZK)	No shares	Share capital
CZK 50,000 nominal value	340	17,000
CZK 1,000 nominal value	850	850
At 31 December 1998		17,850
CZK 50,000 nominal value	383	19,150
CZK 1,000 nominal value	850	850
At 31 December 1999 and 2000		20,000

The share capital of the Company was increased in 1999 through the issue of 43 shares with a nominal value of TCZK 50. The shares were issued at nominal value.

11. Management fees

The Company charged a fee of 2% or 1.75% of the average annual value of the assets of several related funds under its management. Total fees charged in 2000 were 44,892 TCZK (1999: 35,920; 1998: 34,895).

12. Employees and executives

The average number of employees and executives and remuneration are as follows:

2000	Number of employees	Wages & salaries (TCZK)	Social security (TCZK)	Social expenses (TCZK)
Employees	7	3,648	1,275	70
Executives	5	2,410	843	50
Total	12	6,058	2,118	100

1999	Number of employees	Wages & salaries (TCZK)	Social security (TCZK)	Social expenses (TCZK)
Employees	7	2,019	706	32
Executives	4	3,813	1,332	18
Total	11	5,832	2,038	50

13. Taxation

Income tax in the Czech Republic is assessed at the rate of 31% (1999: 35%; 1998: 35%) of taxable income.

(in thous. CZK)	2000	1999	1998
Current tax expense	4,774	1,631	1,974
Prior year tax expense/(over accrual)	(356)	(743)	2,999
Change in deferred tax provision	(55)	(11)	(1,269)
Income tax expense	4,363	877	3,704

The following is a reconciliation of income taxes calculated at the applicable tax rate with the income tax expense for the years ended 31 December 2000 and 1999.

(in thous. CZK)	2000	1999	1998
Accounting profit/(loss) before tax	16,777	4,297	(2,181)
Computed tax using applicable tax rate	5,201	1,504	(763)
Non deductible expenses and non taxable income	(427)	275	2,606
Prior year over accrual	(356)	(743)	2,999
Other items for statutory purposes	(55)	(159)	(1,138)
Income tax expense	4,363	877	3,704

14. Disposal of subsidiaries

The value of subsidiaries disposed was:

(in thous. CZK)	2000	1999
Cash and short term deposits	–	1,023
Receivables and other assets	–	3,271
Property and equipment	–	650
Other payables	–	(2,672)
Fair value adjustments	–	3,175
Proceeds	–	5,447
Cash and short term deposits disposed of	–	(1,023)
Proceeds, net of cash and short term deposits disposed of	–	4,424

15. Contingent liabilities

Many parts of Czech commercial, securities and tax legislation remain untested and there is uncertainty about the interpretation that the financial authorities may apply in a number of areas. The effect of this uncertainty cannot be quantified and will only be resolved as legislative precedents are set or when the official interpretations of the authorities are available.

16. Financial instruments

The company has no interest bearing assets or liabilities at 31 December 2000 except cash at bank, which bears interest at market rates.

Fair value estimates of the Company's investments have not been prepared because readily available market values do not exist for these assets and in management's opinion the cost of producing fair value estimates would exceed the benefits this information would provide to the shareholders of the Company.

All other financial assets and financial liabilities are short-term in nature or due on demand. Therefore, the carrying values of all financial assets (except investments) and financial liabilities of the Company are deemed to approximate their market values.

Auditors' Report

Auditors' report to the Shareholders of PPF investiční společnost a.s. Český uzavřený podílový fond

On the basis of our audit, on 17 April 2001 we issued an auditor's report on the Company's statutory financial statements, which are included in this annual report, and our report was as follows:

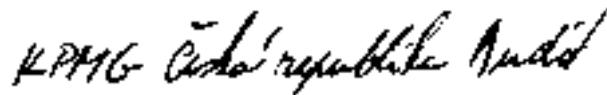
"We have audited the accompanying financial statements of PPF investiční společnost a.s. Český uzavřený podílový fond for the year ended 31 December 2000. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of PPF investiční společnost a.s. Český uzavřený podílový fond, as at 31 December 2000, and the results of its operations, cash flows and changes in equity for the year then ended in accordance with International Accounting Standards."

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

In Prague, 23 May 2001



KPMG Česká republika Audit, spol. s r.o.

Balance Sheet as at 31 December 2000, with comparative figures for 1999 and 1998
(expressed in thousands of Czech crowns)

	Note	2000	1999	1998
Assets				
Cash at bank		105,927	147,864	444,079
Trades pending settlement		–	16,334	–
Trading securities		916,707	891,303	283,718
Other assets		9,540	8,861	21,731
Incorporation expenses	4	–	1,368	6,839
Investments	5	197,214	208,060	264,169
		1,229,388	1,273,790	1,020,536
Liabilities and Shareholders' Equity				
Liabilities				
Management fee payable	3	2,137	2,103	1,599
Deferred tax liability	12	676	4,223	–
Other payables and accrued liabilities		780	4,134	802
		3,593	10,460	2,401
Shareholders' equity:				
Share capital	6	817,355	817,355	817,355
Share premium	6	636,000	636,000	636,000
Revaluation reserve	5	(225,600)	(259,228)	(473,072)
(Accumulated deficit)/retained earnings	7	(1,960)	69,203	37,852
		1,225,795	1,263,330	1,018,135
		1,229,388	1,273,790	1,020,536

See accompanying notes to financial statements.

Statement of Operations and Retained Earnings for the year ended 31 December 2000,
with comparative figures for 1999 and 1998 (expressed in thousands of Czech crowns)

	Note	2000	1999	1998
Operating income				
Net (loss)/gain on trading portfolio	8	(82,891)	176,767	49,450
Interest income		5,688	13,764	21,130
Dividend income		491	908	3,226
		(76,712)	191,439	73,806
Expenses				
Management fees	9	27,037	21,808	21,469
Amortisation		1,368	5,471	5,471
Brokerage fees and commissions		2,140	2,516	3,198
Audit fees		95	200	200
Interest expense		–	–	14
Other fees and expenses		1,820	1,969	7,250
		32,460	31,964	37,602
Net operating profit		(109,172)	159,475	36,204
Realised gain/(loss) on sale of investments		34,681	(122,211)	(48,527)
Net profit/(loss) before taxes		(74,491)	37,264	(12,323)
Taxes on ordinary income	10	3,328	(5,913)	(27)
Net profit/(loss) for the year	7	(71,163)	31,351	(12,350)
Retained earnings, beginning of year		69,203	37,852	56,659
Dividends		–	–	(6,457)
(Accumulated deficit)/retained earnings, end of year		(1,960)	69,203	37,852
Earnings per share (CZK)	11	(87.06)	38.36	(15.11)

See accompanying notes to financial statements.

Statement of Cash Flows for the year ended 31 December 2000, with comparative figures for 1999 and 1998 (expressed in thousands of Czech crowns)

	2000	1999	1998
Cash flows from operating activities			
Net (loss)/profit for the year before tax	(74,491)	37,264	(12,323)
Adjustments for:			
Net (gain)/loss on sale of investments	(34,681)	122,211	48,527
Amortisation	1,368	5,471	5,471
Operating profit before changes in operating assets and liabilities	(107,804)	164,946	41,675
Decrease in deferred expenses	–	–	49
(Increase)/decrease in other assets	(4,588)	13,234	(10,766)
Increase in trading portfolio	(25,404)	(607,585)	(283,718)
Increase in management fee payable	34	504	1,599
(Decrease)/increase in other payables and accrued liabilities	(3,354)	3,332	(44)
	(33,312)	(590,515)	(292,880)
Net cash used in operating activities before taxes	(141,116)	(425,569)	(251,205)
Net income tax recoveries/(payments)	3,690	(2,055)	(3,100)
Net cash used in operating activities	(137,426)	(427,624)	(254,305)
Cash flows from investing activities			
Purchase of investments	(16,848)	(69,370)	(21,572)
Proceeds from sale of investments	96,003	217,113	374,272
Decrease/(increase) in trades pending settlement	16,334	(16,334)	–
Net cash provided by investing activities	95 489	131,409	352,700
Cash flows from financing activities			
Dividends paid	–	–	(6,457)
Net cash used in financing activities	–	–	(6,457)
Net (decrease)/increase in cash	(41,937)	(296,215)	91,938
Cash, beginning of year	147,864	444,079	352,141
Cash, end of year	105,927	147,864	444,079

See accompanying notes to financial statements.

Statement of Total Recognised Gains and Losses for the year ended 31 December 2000, with comparative figures for 1999 and 1998 (expressed in thousands of Czech crowns)

	2000	1999	1998
Movement in deficit on revaluation of investments	33,628	213,844	(72,720)
Net gains/(losses) not recognised in the statement of operations	33,628	213,844	(72,720)
Net profit/(loss) for the year	(71,163)	31,351	(12,350)
Total recognised gains and losses	(37,535)	245,195	(85,070)

See accompanying notes to financial statements.

Notes to Financial Statements for the year ended 31 December 2000

1. Description and principal activities

(a) Establishment and description of the fund

PPF investiční společnost a.s. Český uzavřený podílový fond ("the Fund") was established as a closed-end mutual fund on 28 September 1993 and obtained an investment fund license for the second wave of voucher privatisation. The Fund was allocated shares from the National Property Fund on 28 February 1995 and since then has carried out its investment activities.

On 23 May 1995 the Ministry of Finance granted permission for the Fund to trade its participation certificates. The certificates are currently traded on the Prague Stock Exchange ("PSE") and the RM-System.

(b) Organisational Structure

The management and administration of the Fund's activities are provided by its founder, PPF investiční společnost a.s. ("the Manager").

(c) Registered office

PPF investiční společnost a.s.
Český uzavřený podílový fond
Na Pankráci 121
Praha 4
Czech Republic

2. Significant accounting policies

The significant accounting policies adopted in the preparation of the Fund's financial statements are set out below:

a) Basis of preparation

The financial statements have been prepared in accordance with International Accounting Standards and under the historical cost convention and full accrual accounting, except for trading and investment securities which are carried at market value and the lower of cost or market value, respectively, as described below.

b) Investments

Investments are held for the long-term and are stated at lower of cost and market value on an aggregate portfolio basis. Market values of domestic investments are determined based on prices quoted by the Prague Stock Exchange ("PSE") or RM – System, in accordance with Ministry of Finance decree No. 207/1998, which came into effect on 1 September 1998. If both prices are available, the PSE price is used. Foreign securities are valued based on prices quoted by recognized markets in the appropriate countries.

Unrealized losses on investments due to temporary declines in market value are recorded through shareholders' equity as "revaluation reserve". Unrealized losses on investments due to permanent diminution in value are taken to the statement of operations. Unrealized gains are not recognized in the financial statements.

The cost of investments sold is determined using the weighted average method. All realised gains and losses on the sale of investments are taken to the statement of operations.

c) Trading securities

Trading securities are carried at market value based on prices quoted by recognized markets in the appropriate countries. Differences between market value and cost are included within the statement of operations.

The cost of investments sold is determined using the average cost method. All realised gains and losses are taken to the statement of operations.

d) Incorporation expenses

Incorporation expenses are amortised on a straight-line basis over a period of 5 years.

e) Taxation

Tax expense on the profit or loss for the year comprises current tax and the net change in deferred tax. Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rate effective at the balance sheet date, and any adjustment of tax payable for previous years.

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted taxes rates are used to determine deferred income tax.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized.

f) Foreign currency translation

Foreign currency transactions during the year are translated at the rate of exchange ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the balance sheet date at the rate of exchange ruling at that date. Realised and unrealised foreign currency gains and losses are recognised in the statement of operations.

g) Derivatives

The Fund uses derivative financial instruments to manage its exposures to foreign currency exchange risks arising from its activities. In accordance with its treasury policy, the Fund does not currently hold or issue derivatives for trading purposes. The derivatives used for hedging purposes are accounted for in the same manner as the hedged item. To the extent recognised, revaluation gains (or losses) are taken to the statement of operations and recorded as part of other assets (liabilities) in the balance sheet.

3. Related party transactions and balances**(a) Transactions**

During the course of the year, the Fund completed a number of security trades at arm's length with a related party, as follows:

(in thous. CZK)	Total sales	Total purchases
PPF burzovní společnost a.s.	42,356	71,734

b) Receivables

(in thous. CZK)	2000	1999	1998
PPF investiční společnost a.s.	–	–	188
PPF burzovní společnost a.s.	–	90	–

c) Payables

(in thous. CZK)	2000	1999	1998
PPF investiční společnost a.s.	2,137	2,103	1,599

4. Incorporation expenses

(in thous. CZK)	2000	1999	1998
Incorporation expenses	27,355	27,355	27,355
Accumulated amortisation	(27,355)	(25,987)	(20,516)
Total	–	1,368	6,839

5. Investments

The movement in the investment account is as follows:

(in thous. CZK)	2000	1999	1998
Balance, 1 January	467,288	737,241	1,138,468
Additions at cost	16,848	69,370	21,572
Cost of investments sold	(61,322)	(339,323)	(422,799)
Cost of investments, 31 December	422,814	467,288	737,241
Net unrealised loss on revaluation to market value	(225,600)	(259,228)	(473,072)
Market value of investments, 31 December	197,214	208,060	264,169

6. Share capital and premium

The nominal value of the issued share capital is TCZK 817,355 which consists of 817,355 shares, each at a nominal value of CZK 1,000. The share premium resulted from the allocation of shares to investors during 1995 following the second wave of voucher privatisation in accordance with local regulations.

7. Reconciliation to Czech Statutory Accounts

The reconciliation of the net loss and retained earnings as reflected in the Czech Statutory Accounts to these financial statements is as follows:

(in thous. CZK)	Net (loss)/profit	Retained earnings
Statutory Accounts as at 31 December 2000	65,979	65,979
Adjustment to recognised loss on transfer of investments	–	1,141
Transfer of accumulated deficit in CAS to share premium	–	(24,094)
Adjustment to record short term securities at market value	(138,776)	(48,814)
Adjustment to record net gain on trades pending settlement	(6,417)	–
Recognition of deferred taxes	3,547	(676)
Adjustment relating to forward foreign currency contracts	4,504	4,504
Total	(71,163)	(1,960)

8. Net gain on trading portfolio

(in thous. CZK)	2000	1999	1998
Realised gains on sold securities	35,977	54,452	39,601
Unrealised foreign exchange rate differences	7,883	16,297	10,841
Realised foreign exchange rate differences	(24,961)	(16,577)	–
Market value differences	(138,776)	90,955	(992)
Interest income from debt securities	34,979	30,299	–
Income from equity securities	2,007	1,341	–
Net (loss)/gain	(82,891)	176,767	49,450

9. Management fee

PPF investiční společnost a.s. managed all of the Fund's activities in accordance with the Management Contract at a management fee of 2% of the average annual value of the investment portfolio of the Fund. The management fee for 2000 totalled 27,037 TCZK (1999: 21,808; 1998: 21,469).

10. Taxation

Income tax on funds in the Czech Republic is assessed at the rate of 15% (1999 and 1998: 25%) of taxable income.

(in thous. CZK)	2000	1999	1998
Current tax expense	219	1,690	27
Change in deferred tax provision	(3,547)	4,223	–
Tax expense/(income)	(3,328)	5,913	27

The following is a reconciliation of income taxes calculated at the applicable tax rate with the income tax expense for the years ended 31 December 2000, 1999 and 1998.

(in thous. CZK)	2000	1999	1998
Accounting profit/(loss) before tax	(74,491)	37,264	(12,323)
Computed tax using applicable tax rate	(11,174)	9,316	(3,081)
Non deductible expenses and non taxable income	(1,022)	952	2,006
Use of previously unrecognised tax loss carry forward	–	(4,657)	–
Current year tax loss carry forward not recognized	2,653	–	–
Unrealised losses on securities not recognized	4,700	–	–
Reversal of tax loss carry forward recognized prior period	1,292	–	–
Withholding tax on dividends	218	335	–
Other items for statutory purposes	5	(33)	1,102
Income tax expense/(income)	(3,328)	5,913	27

11. Earnings per share

Earnings per share are calculated based on retained profit for the financial year and the weighted average number of shares in issue during the year.

(in thous. CZK)	2000	1999	1998
Net profit/(loss) for the year	(71,163)	31,351	(12,350)
Weighted average number of shares outstanding (note 6)	817,355	817,355	817,355
Earnings per share (CZK)	(87.06)	38.36	(15.11)

12. Deferred taxation assets and liabilities

Deferred taxation assets and liabilities are attributable to the items described in the following table:

(in thous. CZK)	31 December 2000			31 December 1999		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Write-down of securities not deductible for tax purposes	33,840	–	33,840	64,807	–	64,807
Mark-to-market of trading securities not taxable	4,700	–	4,700	–	(26,860)	(26,860)
Accelerated amortisation for accounting purposes	–	–	–	370	–	370
Unrealised forward foreign exchange contracts	–	(676)	(676)	845	–	845
Tax value of loss carry forwards	3,945	–	3,945	21,422	–	21,422
Total	42,485	(676)	41,809	87,444	(26,860)	60,584

In accordance with the requirements of IAS 12, no deferred tax assets have been recognized as at 31 December 2000 (1999: TCZK 22,637) because of the uncertainty surrounding the recoverability of such assets. In order to recognise deferred tax assets, it must be probable that future taxable profits will be available against which the deferred tax asset can be utilised. Deferred tax liabilities have been recorded in full.

The tax losses carried forward are subject to limitations concerning their use. TCZK 8,612 (1999: 85,688) can only be utilised against future realised gains on sales of securities. The remaining tax losses can be offset against future taxable income except for income arising from the receipt of dividends. The tax losses can be carried forward for a total of 3 years. Of the total value of tax loss carry forwards, TCZK17,689 arose in 2000 and the remainder arose in 1999.

13. Commitments

The following forward contracts were outstanding at the end of the year:

(in thous. CZK)	2000	1999	1998
Forward foreign currency sales	254,565	216,093	192,286
Forward foreign currency purchases	15,777	–	96,762

The Fund recognised a net unrealised gain on the above contracts totalling TCZK 4,504 at 31 December 2000 (1999: loss 3,379; 1998: gain 13,040). Refer also to note 2 (g).

14. Financial instruments

A financial instrument is any contract that gives rise to the right to receive cash or another financial asset from another party (financial asset) or the obligation to deliver cash or another financial asset to another party (financial liability).

Financial instruments result in certain risks to the Fund. The most significant risks facing the Fund are discussed below.

(i) Foreign exchange risk

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Hedging instruments used by the Fund to manage this risk take the form of forward foreign exchange contracts.

(ii) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Information regarding interest bearing assets and liabilities of the Fund are contained in the preceding notes and schedule of investments. All other financial assets and liabilities are non-bearing, except for term deposits totalling TCZK 105,780 (1999: TCZK 147,721) which bear interest at market rates.

(iii) Fair values

Market values of investments as determined under note 2(b) are presented in the schedule of investments included as part of these financial statements. All other financial assets and financial liabilities of the Fund are deemed to approximate their market values.

15. Contingent liabilities

Many parts of Czech commercial, securities and tax legislation remain untested and there is uncertainty about the interpretation that the financial authorities may apply in a number of areas. The effect of this uncertainty cannot be quantified and will only be resolved as legislative precedents are set or when the official interpretations of the authorities are available.

Investment portfolio

Issuer	Number of shares	Purchase price per share (CZK)	Cost (TCZK)	Market price per share (CZK)	Total market value (TCZK)
Přerovské strojírny a.s.	127,527	429	54,750	–	–
ZPS Zlín a.s.	44,882	1,562	70,098	–	–
KABLO a.s.	36,103	1,391	50,216	546	19,719
BOPO a.s.	19,902	98	1,956	–	–
Česká pojišťovna a.s.	41,215	4,606	189,856	2,350	96,856
Česká spořitelna a.s.	311,000	148	46,156	234	72,898
České radiokomunikace a.s.	6,000	1,630	9,782	1,290	7,741
PPF investiční holding a.s.	1	280	–	497	–
Total			422,814		197,214

Trading portfolio**Debt securities**

Issuer	Number of units	Purchase price per unit (CZK)	Cost (TCZK)	Market price per unit (CZK)	Total market value (TCZK)
CZECH GOVERNMENT T- BILLS*	50	988,647	49,432	989,694	49,485
POLAND GOVR. BOND 12.00/03	1,000	7,874	7,874	8,451	8,451
POLAND GOVR. BOND 10.00/04	4,000	7,948	31,791	8,014	32,055
POLAND GOVR. BOND **/01	2,300	6,803	15,648	7,781	17,896
POLAND GOVR. BOND **/02	14,000	6,693	93,703	7,443	104,197
POLGB 8.05/05	4,500	7,154	32,194	7,687	34,592
EIB 15.5/01	600	22,477	13,486	20,787	12,472
SPP 9.00/04	1,136	36,071	40,976	35,311	40,113
BAYLNDBK 7.0/04	1,900	25,050	47,595	25,215	47,909
VOLKSWAGEN 6.25/03	800	24,958	19,966	24,705	19,764
DEUTSCHE HYPO 5.625/01	800	24,990	19,992	24,923	19,938
SD 10.90/03	3,000	10,877	32,631	11,036	33,108
SLOV. ELEKTR. BOND FRN/03 ¹⁾	2,000	9,950	19,900	10,000	20,000
RADIOMOBIL 8.2/04	53	1,014,979	53,794	1,032,700	54,733
KOB FRN/05 ²⁾	2,000	10,075	20,150	10,000	20,000
CITILEASING 10.45/03	200	100,000	20,000	109,250	21,850
Total principal			519,132		536,563
Accrued interest			13,516		13,516
Total debt securities			532,648		550,079

* yield to maturity of T-Bill as at 31. 12. 2000 was 5.35%

** weighted yield to maturity of zero-coupon bonds as at 31. 12. 2000 was 17.19%

¹⁾ Next repricing date and coupon rate: 28. 2. 2001 at 6M PRIBOR + 4.45%

²⁾ Next repricing date and coupon rate: 17. 3. 2001 at 6M PRIBOR + 0.125%

Equity securities

Issuer	Number of shares	Currency	Purchase price per share (CZK)	Cost price per (TCZK)	Market price per share (TCZK)	Total market value (TCZK)
BIOCHEM PHARMA	6,000	USD	715	4,288	1,210	7,260
NORTEL NETWORK CORP.	10,830	USD	1,098	11,891	1,212	13,129
INTERSHOP COMM.	2,375	EUR	3,096	7,352	1,173	2,785
INFINEON TECHNOLOGIES AG.	5,320	EUR	2,063	10,977	1,388	7,383
SAP AG (EUR)	1,170	EUR	6,613	7,737	4,344	5,083
NOKIA CORP.	18,000	EUR	546	9,825	1,667	30,002
CAP GEMINI SOGETI	780	EUR	5,511	4,299	6,028	4,702
STMICROELECTRONICS NV.	4,900	EUR	2,223	10,895	1,632	7,995
AT&T CORP.	3,780	USD	1,817	6,868	652	2,466
ADVANCED MICRO DEVICES	18,105	USD	673	12,185	522	9,454
ALCATEL ALSTHOM	1,880	USD	1,500	2,821	2,115	3,977
ALTERA CORP.	3,880	USD	1,454	5,641	995	3,860
AMAZON / AMZN	3,360	USD	1,797	6,037	588	1,977
AMERICA ONLINE	7,300	USD	1,381	10,079	1,316	9,606
AMERICAN EXPRESS	2,580	USD	1,472	3,797	2,077	5,360
AMGEN INC. / AMGN	3,675	USD	2,113	7,765	2,418	8,885
APPLE COMPUTER	2,500	USD	1,687	4,216	563	1,407
APPLIED MATERIALS	4,385	USD	2,711	11,888	1,444	6,332
ARIBA INC.	2,925	USD	2,741	8,016	2,028	5,932
AVAYA INC.	390	USD	-	-	390	152
AVIGEN INC.	3,060	USD	1,432	4,381	785	2,401
AVIRON	3,475	USD	690	2,398	2,526	8,779
MER LYNCH - BIOTECH HLDRS	1,360	USD	5,720	7,779	6,440	8,758
BROADVISION INC	8,240	USD	999	8,235	447	3,680
CABLE & WIRELESS	2,895	USD	1,364	3,948	1,508	4,366
CELL GENESYS INC.	3,780	USD	1,142	4,318	863	3,260
CISCO SYSTEMS	8,680	USD	791	6,867	1,446	12,554
COMMERCE ONE INC.	2,655	USD	1,525	4,050	957	2,541
CORIXA CORPORATION	4,565	USD	1,066	4,864	1,054	4,813
CORNING	4,640	USD	3,345	15,521	1,997	9,266

Equity securities – continued

Issuer	Number of shares	Currency	Purchase price per share (CZK)	Cost price per (TCZK)	Market price per share (TCZK)	Total market value (TCZK)
DELL COMPUTER	2,240	USD	1,556	3,486	659	1,477
ENDESA SPONSORED	5,065	USD	781	3,958	631	3,197
ERICSSON LM TEL CO ADR	17,885	USD	722	12,907	423	7,568
GENERAL ELECTRIC	6,300	USD	1,041	6,556	1,813	11,420
GENZYME CORP. - GENZ DIVISION	2,080	USD	1,722	3,582	3,401	7,074
IMCLONE SYSTEMS	4,400	USD	1,787	7,862	1,664	7,321
INTEL / INTC	7,660	USD	1,582	12,121	1,137	8,707
JDS UNIPHASE CORP.	4,885	USD	3,238	15,819	1,576	7,701
JOHNSON & JOHNSON	2,595	USD	3,061	7,943	3,973	10,309
PHILIPS ELEC. NV	6,480	USD	887	5,751	1,371	8,882
LUCENT TECHNOLOGY	4,680	USD	1,723	8,063	510	2,389
MATAVAS ADS	6,195	USD	1,331	8,244	773	4,788
MICROSOFT	3,730	USD	3,058	11,405	1,640	6,118
MICRON TECHNOLOGY INC/MU	6,330	USD	1,844	11,673	1,342	8,497
MP3.COM INC.	7,150	USD	675	4,825	136	971
PMC SIERA INC.	885	USD	4,492	3,976	2,973	2,631
PALM INC.	6,763	USD	–	–	1,070	7,240
PFIZER INC.	5,460	USD	1,297	7,081	1,739	9,497
RAMBUS INC / RMBS	1,065	USD	3,658	3,896	1,366	1,455
SBC COMMUNICATIONS	4,030	USD	1,725	6,950	1,806	7,275
CHARLES SCHWAB CORP.	5,400	USD	1,309	7,066	1,073	5,794
TELEKOMUNIKACJA POLSKA - GDR	33,250	USD	159	5,293	258	8,587
TELLABS INC.	3,900	USD	2,063	8,046	2,136	8,332
3COM	4,560	USD	1,386	6,320	321	1,466
3DFX INTERACTIVE INC	7,470	USD	788	5,889	9	71
VERITAS SOFTWARE	2,657	USD	2,669	7,092	3,309	8,791
VERZION COMM. INC	1,890	USD	1,696	3,206	1,896	3,583
VICAL INC.	3,815	USD	1,077	4,110	700	2,669
WORLDCOM, INC.	1,943	USD	1,825	3,547	532	1,033
YAHOO INC	3,185	USD	3,073	9,789	1,137	3,620
Total equity securities				415,394		366,628
Total trading portfolio				948,042		916,707

Auditors' Report

Auditors' report to the Shareholders of PPF investiční společnost a.s. Moravskoslezský uzavřený podílový fond

On the basis of our audit, on 17 April 2001 we issued an auditor's report on the Company's statutory financial statements, which are included in this annual report, and our report was as follows:

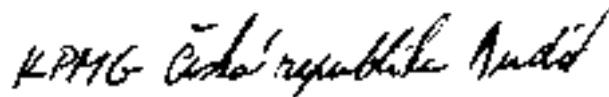
"We have audited the accompanying financial statements of PPF investiční společnost a.s. Moravskoslezský uzavřený podílový fond for the year ended 31 December 2000. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of PPF investiční společnost a.s. Moravskoslezský uzavřený podílový fond, as at 31 December 2000, and the results of its operations, cash flows and changes in equity for the year then ended in accordance with International Accounting Standards."

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

In Prague, 23 May 2001



KPMG Česká republika Audit, spol. s r.o.

Balance Sheet as at 31 December 2000, with comparative figures for 1999 and 1998
(expressed in thousands of Czech crowns)

	Note	2000	1999	1998
Assets				
Cash at bank		34,117	70,825	199,396
Trades pending settlement		–	8,166	–
Trading securities		455,071	422,833	141,836
Other assets		5,098	4,495	10,462
Incorporation expenses	4	–	635	3,177
Investments	5	80,180	89,807	123,683
		574,466	596,761	478,554
Liabilities and Shareholders' Equity				
Liabilities				
Management fee payable	3	1,234	974	716
Deferred tax liability	12	317	39	–
Other payables and accrued liabilities		458	2,031	474
		2,009	3,044	1,190
Shareholders' equity				
Share capital	6	379,856	379,856	379,856
Share premium	6	287,907	294,881	294,881
Revaluation reserve	5	(109,601)	(118,998)	(219,714)
Retained earnings	7	14,295	37,978	22,341
		572,457	593,717	477,364
		574,466	596,761	478,554

See accompanying notes to financial statements.

Statement of Operations and Retained Earnings for the year ended 31 December 2000,
with comparative figures for 1999 and 1998 (expressed in thousands of Czech crowns)

	Note	2000	1999	1998
Operating income				
Net (loss)/gain on trading portfolio	8	(37,005)	83,171	22,009
Interest income		2,824	6,142	10,354
Dividend income		248	394	1,458
Other net operating revenue		–	–	–
		(33,933)	89,707	33,821
Expenses				
Management fees	3	12,644	10,219	10,086
Amortisation		635	2,542	2,541
Brokerage fees and commissions		1,080	1,350	1,699
Audit fees		95	200	200
Interest expense		17	–	7
Other fees and expenses		1,023	1,062	3,346
		15,494	15,373	17,879
Net operating (loss)/profit		(49,427)	74,334	15,942
Realised gain/(loss) on sale of investments		19,151	(57,619)	(20,540)
(Loss)/profit before taxes		(30,276)	16,715	(4,598)
Taxes on ordinary income	10	(381)	(1,078)	–
Net (loss)/profit for the year	7	(30,657)	15,637	(4,598)
Retained earnings, beginning of year		37,978	22,341	31,383
Transfer of share premium to cover prior year losses		6 974	–	–
Dividends		–	–	(4,444)
Retained earnings, end of year		14,295	37,978	22,341
Earnings per share	11	(80.71)	41.17	(12.10)

See accompanying notes to financial statements.

Statement of Cash Flows for the year ended 31 December 2000, with comparative figures for 1999 and 1998 (expressed in thousands of Czech crowns)

	2000	1999	1998
Cash flows from operating activities			
Net (loss)/profit for the year before tax	(30,276)	16,715	(4,598)
Adjustments for:			
Net (gain)/loss on sale of investments	(19,151)	57,619	20,540
Amortisation	635	2,542	2,541
Operating profit before changes in operating assets and liabilities	(48,792)	76,876	18,483
Decrease in deferred expenses	–	–	19
Increase in trading portfolio	(32,238)	(280,997)	(141,836)
(Increase)/decrease in other assets	(2,141)	6,307	(5,244)
Increase in management fee payable	260	258	716
(Increase)/decrease in other payables and accrued liabilities	(1,573)	1,557	154
	(35,692)	(272,875)	(146,191)
Net cash used in operating activities before tax	(84,484)	(195,999)	(127,708)
Income tax recoveries/(payments)	1,435	(1,379)	(2,552)
Net cash used in operating activities	(83,049)	(197,378)	(130,260)
Cash flows from investing activities			
Purchase of investments	(8,906)	(30,251)	(9,802)
Proceeds from sale of investments	47,081	107,224	168,776
Decrease/(increase) in trades pending settlement	8,166	(8,166)	3,107
Net cash provided by investing activities	46,341	68,807	162,081
Cash flows from financing activities			
Dividends paid	–	–	(4,444)
Net cash used in financing activities	–	–	(4,444)
Net (decrease)/increase in cash at bank	(36,708)	(128,571)	27,377
Cash at bank, beginning of year	70,825	199,396	172,019
Cash at bank, end of year	34,117	70,825	199,396

See accompanying notes to financial statements.

Statement of Total Recognised Gains and Losses for the year ended 31 December 2000, with comparative figures for 1999 and 1998 (expressed in thousands of Czech crowns)

	2000	1999	1998
Movement in deficit on revaluation of investments	9,397	100,716	(35,898)
Net gains/(losses) not recognised in the statement of operations	9,397	100,716	(35,898)
Net (loss)/profit for the year	(30,657)	15,637	(4,598)
Total recognised gains and losses	(21,260)	116,353	(40,496)

See accompanying notes to financial statements.

Notes to Financial Statements for the year ended 31 December 2000**1. Description and principal activities****a) Establishment and description of the fund**

PPF investiční společnost a.s. Moravskoslezský uzavřený podílový fond ("the Fund") was established as a closed-end mutual fund on 28 September 1993 and obtained an investment fund license for the second wave of voucher privatisation. The Fund was allocated shares from the National Property Fund on 28 February 1995 and since then has carried out its investment activities.

On 23 May 1995 the Ministry of Finance granted permission for the Fund to trade its participation certificates. The certificates are currently traded on the Prague Stock Exchange ("PSE") and the RM-System.

b) Organisational Structure

The management and administration of the Fund's activities are provided by its founder, PPF investiční společnost a.s. ("the Manager").

c) Registered office

PPF investiční společnost a.s.
Moravskoslezský uzavřený podílový fond
Na Pankráci 121
Praha 4
Czech Republic

2. Significant accounting policies

The significant accounting policies adopted in the preparation of the Fund's financial statements are set out below:

a) Basis of preparation

The financial statements have been prepared in accordance with International Accounting Standards and under the historical cost convention and full accrual accounting, except for trading and investment securities which are carried at market value and the lower of cost or market value, respectively, as described below.

b) Investments

Investments are held for the long-term and are stated at lower of cost and market value on an aggregate portfolio basis. Market values of domestic investments are determined based on prices quoted by the Prague Stock Exchange ("PSE") or RM System, in accordance with Ministry of Finance decree No. 207/1998, which came into effect on 1 September 1998. If both prices are available, the PSE price is used. Foreign securities are valued based on prices quoted by recognized markets in the appropriate countries.

Unrealized losses on investments due to temporary declines in market value are recorded through shareholders' equity as "revaluation reserve". Unrealized losses on investments due to permanent diminution in value are taken to the statement of operations. Unrealized gains are not recognized in the financial statements.

The cost of investments sold is determined using the weighted average method. All realised gains and losses on the sale of investments are taken to the statement of operations.

c) Trading securities

Trading securities are carried at market value based on prices quoted by recognized markets in the appropriate countries. Differences between market value and cost are included within the statement of operations.

The cost of investments sold is determined using the average cost method. All realised gains and losses are taken to the statement of operations.

d) Incorporation expenses

Incorporation expenses are amortised on a straight-line basis over a period of 5 years.

e) Taxation

Tax expense on the profit or loss for the year comprises current tax and the net change in deferred tax. Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rate effective at the balance sheet date, and any adjustment of tax payable for previous years.

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted taxes rates are used to determine deferred income tax.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized.

f) Foreign currency translation

Transactions in foreign currencies are converted at the rate of exchange ruling at the transaction date. At the balance sheet date, foreign currency monetary assets and liabilities are converted at the rate of exchange ruling at that date. Resulting exchange differences are recognised in the statement of operations.

g) Derivatives

The Fund uses derivative financial instruments to manage its exposures to foreign currency exchange risks arising from its activities. In accordance with its treasury policy, the Fund does not currently hold or issue derivatives for trading purposes. The derivatives used for hedging purposes are accounted for in the same manner as the hedged item. To the extent recognised, revaluation gains (or losses) are taken to the statement of operations and recorded as part of other assets (liabilities) in the balance sheet.

3. Related party transactions and balances**(a) Transactions**

During the course of the year, the Fund completed a number of security trades at arm's length with a related party, as follows:

(in thous. CZK)	Total sales	Total Purchases
PPF burzovní společnost a.s.	20,398	35,754

b) Payables

(in thous. CZK)	2000	1999	1998
PPF investiční společnost a.s.	1,234	974	716

4. Incorporation expenses

(in thous. CZK)	2000	1999	1998
Incorporation expenses	12,706	12,706	12,706
Accumulated amortisation	(12,706)	(12,071)	(9,529)
Total	–	635	3,177

5. Investments

The movement in the investment account is as follows:

(in thous. CZK)	2000	1999	1998
Balance, 1 January	208,805	343,397	522,911
Additions at cost	8,905	30,251	9,802
Cost of investments sold	(27,929)	(164,843)	(189,316)
Cost of investments, 31 December	189,781	208,805	343,397
Net unrealised loss on revaluation to market value	(109,601)	(118,998)	(219,714)
Market value of investments, 31 December	80,180	89,807	123,683

6. Share capital and premium

The nominal value of the issued share capital is TCZK 379,856 which consists of 379,856 shares, each at a nominal value of CZK 1,000. The share premium resulted from the allocation of shares to investors during 1995 following the second wave of voucher privatisation in accordance with local regulations.

7. Reconciliation to Czech Statutory Accounts

The reconciliation of the net profit and retained earnings as reflected in the Czech Statutory Accounts to these financial statements is as follows:

(in thous. CZK)	Net (loss)/profit	Retained earnings
Statutory Accounts as at 31 December 2000	35,045	35,045
Adjustment to realised loss on investments transferred	–	529
Adjustment to record short term securities at market value	(64,332)	(23,078)
Timing difference of gain on trade pending settlement	(3,208)	–
Recognition of deferred tax liability	(278)	(317)
Adjustment relating to forward currency contracts	2,116	2,116
Total	(30,657)	14,295

8. Net gain on trading portfolio

(in thous. CZK)	2000	1999	1998
Realised gains on sold securities	17,842	26,102	17,657
Unrealised foreign exchange rate differences	3,689	7,639	5,096
Realised foreign exchange rate differences	(11,634)	(7,417)	–
Market value differences	(64,332)	41,999	(744)
Interest income from debt securities	15,824	14,205	–
Income from equity securities	1,606	643	–
Net gain	(37,005)	83,171	22,009

9. Management fee

PPF investiční společnost a.s. managed all of the Fund's activities in accordance with the Management Contract at a management fee of 2% of the average annual value of the investment portfolio of the Fund. The management fee for 2000 totalled TCZK 12,644 (1999: 10,219; 1998: 10,086).

10. Taxation

Income tax on funds in the Czech Republic is assessed at the rate of 15% (1999 and 1998: 25%) of taxable income.

(in thous. CZK)	2000	1999	1998
Current tax expense	103	1,039	–
Change in deferred tax provision	278	39	–
Tax expense	381	1,078	–

The following is a reconciliation of income taxes calculated at the applicable tax rate with the income tax expense for the years ended 31 December 2000 and 1999.

(in thous. CZK)	2000	1999	1998
Accounting (loss) before tax	(30,276)	16,715	(4,598)
Computed tax using applicable tax rate	(4,541)	4,179	(1,150)
Non deductible expenses and non taxable income	(38)	625	594
Use of previously unrecognised tax loss carry forward	–	8,681	–
Current year tax loss carry forward not recognized	1,034	–	–
Unrealised losses on securities not recognized	3,943	(10,500)	–
Other items for statutory purposes	(17)	(1,907)	556
Income tax expense	381	1,078	–

11. Earnings per share

Earnings per share are calculated based on retained profit for the financial year and the weighted average number of shares in issue during the year.

(in thous. CZK)	2000	1999	1998
Net profit/(loss) for the year	(30,657)	15,637	(4,598)
Weighted average number of shares outstanding	379,856	379,856	379,856
Earnings per share (CZK)	(80.71)	41.17	(12.10)

12. Deferred taxation assets and liabilities

Deferred taxation assets and liabilities are attributable to the items described in the following table:

(in thous. CZK)	31 December 2000			31 December 1999		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Write-down of investments not deductible for tax purposes	16,440	–	16,440	29,750	–	29,750
Mark-to-market of trading securities not taxable	2,255	–	2,255	–	(10,314)	(10,314)
Accelerated amortisation for accounting purposes	–	–	–	172	–	172
Unrealised forward foreign exchange contracts	–	(317)	(317)	393	–	393
Tax value of loss carry forwards	1,034	–	1,034	9,710	–	9,710
Total	19,729	(317)	19,412	40,025	(10,314)	29,711

In accordance with the requirements of IAS 12, no deferred tax assets have been recognised at 31 December 2000 (1999: TCZK 10,275) because of the uncertainty surrounding the recoverability of such assets. In order to recognise deferred tax assets, it must be probable that future taxable profits will be available against which the deferred tax asset can be utilised. Deferred tax liabilities have been recorded in full.

The tax losses can be carried forward for a total of 3 years. All tax loss carry forwards outstanding at 31 December 2000 arose in 2000.

13. Commitments

The following forward contracts were outstanding at the end of the year:

(in thous. CZK)	2000	1999	1998
Forward foreign currency sales	119,592	100,607	90,288
Forward foreign currency purchases	7,413	–	48,312

The Fund recognised a net unrealised gain on the contracts totalling TCZK 2,116 at 31 December 2000 (1999: loss 1,573 TCZK, 1998: gain TCZK 6,260). Refer also to note 2 (g).

14. Financial instruments

A financial instrument is any contract that gives rise to the right to receive cash or another financial asset from another party (financial asset) or the obligation to deliver cash or another financial asset to another party (financial liability).

Financial instruments result in certain risks to the Fund. The most significant risks facing the Fund are discussed below.

(i) Foreign exchange risk

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Hedging instruments used by the Fund to manage this risk take the form of forward foreign exchange contracts and currency swaps.

(ii) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Information regarding interest bearing assets and liabilities of the Fund are contained in the preceding notes and the attached schedule of investments. All other financial assets and liabilities are non-interest bearing, except for term deposits totalling 34,032 TCZK (1999: 70,748 TCZK) which bear interest at market rates.

(iii) Fair values

Market values of investments as determined under note 2(b) are presented in the schedule of investments included in these financial statements. All other financial assets and financial liabilities of the Fund are deemed to approximate their market values.

15. Contingent liabilities

Many parts of Czech commercial, securities and tax legislation remain untested and there is uncertainty about the interpretation that the financial authorities may apply in a number of areas. The effect of this uncertainty cannot be quantified and will only be resolved as legislative precedents are set or when the official interpretations of the authorities are available.

Investment portfolio

Issuer	Number of shares	Purchase price per share (CZK)	Cost (TCZK)	Market price per share (TCZK)	Total market value (TCZK)
Přerovské strojírny a.s.	59,189	429	25,411	–	–
ZPS Zlín a.s.	20,727	1,553	32,190	–	–
KABLO a.s.	18,234	1,329	24,240	546	9,959
BOPO a.s.	9,238	98	908	–	–
Česká pojišťovna a.s.	19,257	4,615	88,873	2,350	45,254
Česká spořitelna a.s.	90,000	147	13,191	234	21,097
České radiokomunikace a.s.	3,000	1,656	4,968	1,290	3,870
PPF investiční holding a.s.	1	280	–	497	–
Total			189,781		80,180

Trading portfolio**Debt securities**

Issuer	Number of units	Purchase price per unit (CZK)	Cost (TCZK)	Market price per unit (CZK)	Total market value (TCZK)
Czech Government T-Bills*	30	988,647	29,659	989,694	29,691
Poland Government Bond 10.00/04	3,000	7,767	23,300	8,014	24,041
Poland Government Bond**/01	1,200	6,803	8,164	7,781	9,337
Poland Government Bond**/02	6,000	6,677	40,061	7,443	44,656
Poland Government Bond 8.05/05	2,500	7,154	17,886	7,687	19,218
EIB 15.5/01	400	22,477	8,991	20,787	8,315
SPP 9.00/04	568	36,071	20,488	35,311	20,057
BAYLNDBK 7.00/04	900	25,029	22,526	25,215	22,694
VOLKSWAGEN 6.25/03	400	24,958	9,983	24,705	9,882
DEUTSCHE HYPO 5.63/01	400	24,990	9,996	24,923	9,969
SD 10.90/03	1500	10,872	16,308	11,036	16,554
Slovenské elektrárny FRN/03 ¹⁾	1000	9,950	9,950	10,000	10,000
RadioMobil 8.20/04	20	1,012,500	20,250	1,032,700	20,653
KOB FRN/05 ²⁾	1000	10,075	10,075	10,000	10,000
IPB FRN/08 ³⁾	1000	10,265	10,265	10,265	10,265
CITILEASING 10.45/03	100	100,000	10,000	109,250	10,925
Total principal			267,902		276,257
Accrued interest			8,011		8,011
Total debt securities			275,913		284,268

* yield to maturity of T-Bill as at 31.12.2000 was 5.35%

** weighted yield to maturity of zero-coupon bonds as at 31.12.2000 was 17.19%

¹⁾ Next repricing date and coupon rate: 28.2.2001 at 6M PRIBOR + 4.45%

²⁾ Next repricing date and coupon rate: 17.3.2001 at 6M PRIBOR + 0.125%

³⁾ Next repricing date and coupon rate: 16.4.2001 at 6M PRIBOR + 1.5%

Equity securities

Issuer	Number of shares	Currency	Purchase price per share (CZK)	Cost (TCZK)	Market price per share (CZK)	Total market value (TCZK)
BIOCHEM PHARMA	2,805	USD	715	2,005	1,210	3,394
NORTEL NETWORK CORP.	5,090	USD	1,097	5,583	1,212	6,171
INTERSHOP COMM.	1,125	EUR	3,097	3,484	1,173	1,319
INFINEON TECHNOLOGIES AG.	2,490	EUR	2,064	5,138	1,388	3,456
SAP AG (EUR)	540	EUR	6,716	3,626	4,344	2,346
NOKIA CORP.	8,280	EUR	546	4,519	1,667	13,801
CAP GEMINI SOGETI	365	EUR	5,511	2,012	6,028	2,200
STMICROELECTRONICS NV.	2,295	EUR	2,223	5,101	1,632	3,745
AT&T CORP.	1,740	USD	1,817	3,161	652	1,135
ADVANCED MICRO DEVICES	8,325	USD	676	5,630	522	4,347
ALCATEL ALSTHOM	940	USD	1,500	1,410	2,115	1,988
ALTERA CORP.	1,820	USD	1,454	2,646	995	1,811
AMAZON	1,540	USD	1,797	2,767	588	906
AMERICA ONLINE	3,360	USD	1,387	4,661	1,316	4,421
AMERICAN EXPRESS	1,230	USD	1,472	1,810	2,077	2,555
AMGEN INC.	1,725	USD	2,113	3,645	2,418	4,171
APPLE COMPUTER	1,180	USD	1,687	1,990	563	664
APPLIED MATERIALS	2,045	USD	2,711	5,545	1,444	2,953
ARIBA INC.	1,375	USD	2,741	3,769	2,028	2,788
AVAYA INC.	178	USD	–	–	390	69
AVIGEN INC.	1,140	USD	1,428	1,628	785	894
AVIRON	1,625	USD	690	1,121	2,526	4,105
MER LYNCH - BIOTECH HLDR	640	USD	5,720	3,661	6,440	4,122
BROADVISION INC	3,860	USD	999	3,856	447	1,724
CABLE & WIRELESS	1,355	USD	1,364	1,848	1,508	2,043
CELL GENESYS INC.	1,770	USD	1,142	2,022	863	1,527
CISCO SYSTEMS	3,960	USD	791	3,133	1,446	5,728
COMMERCE ONE INC.	1,245	USD	1,525	1,899	957	1,192
CORIXA CORPORATION	2,135	USD	1,066	2,275	1,054	2,251

Equity securities – continued

Issuer	Number of shares	Currency	Purchase price per share (CZK)	Cost (TCZK)	Market price per share (CZK)	Total market value (TCZK)
CORNING	2,170	USD	3,446	7,478	1,997	4,333
DELL COMPUTER	1,020	USD	1,556	1,587	659	673
ENDESA SPONSORED	2,375	USD	781	1,856	631	1,499
ERICSSON LM TEL CO ADR	8,380	USD	722	6,047	423	3,546
GENERAL ELECTRIC	2,880	USD	1,041	2,997	1,813	5,221
GENZYME CORP. GENZ DIV.	970	USD	1,722	1,670	3,401	3,299
IMCLONE SYSTEMS	2,060	USD	1,787	3,681	1,664	3,427
INTEL	3,590	USD	1,583	5,682	1,137	4,081
JDS UNIPHASE CORP.	2,295	USD	3,239	7,434	1,576	3,618
JOHNSON & JOHNSON	1,215	USD	3,060	3,718	3,973	4,827
PHILIPS ELEC. NV	3,247	USD	888	2,885	1,371	4,451
LUCENT TECHNOLOGY	2,140	USD	1,723	3,687	510	1,092
MATAVAS ADS	2,905	USD	1,331	3,865	773	2,245
MICROSOFT	1,750	USD	3,058	5,352	1,640	2,871
MICRON TECHNOLOGY INC.	2,960	USD	1,846	5,464	1,342	3,972
MP3.COM INC.	3,350	USD	675	2,261	136	455
PMC SIERA INC.	415	USD	4,492	1,864	2,973	1,234
ALM INC.	3,085	USD	–	–	1,070	3,302
PFIZER INC.	2,520	USD	1,297	3,268	1,739	4,382
RAMBUS INC.	500	USD	3,658	1,829	1,366	683
SBC COMMUNICATION	1,840	USD	1,725	3,173	1,806	3,322
CHARLES SCHWAB CORP.	2,550	USD	1,309	3,337	1,073	2,736
TELEKOMUNIKACJA POLSKA GDR	15,660	USD	160	2,499	258	4,044
TELLABS INC.	1,830	USD	2,063	3,775	2,136	3,910
3COM	2,080	USD	1,386	2,883	321	669
3DFX INTERACTIVE INC	4,300	USD	763	3,279	9	41
VERITAS SOFTWARE	1,214	USD	2,671	3,242	3,309	4,017
VERZION COMM. INC	860	USD	1,696	1,459	1,896	1,630
VICAL INC.	1,785	USD	1,077	1,923	700	1,249
WORLDCOM INC.	885	USD	1,826	1,616	532	471
YAHOO INC	1,475	USD	3,004	4,431	1,137	1,677
PMC SIERA INC.	415	USD	4,492	1,864	2,973	1,234
Total equity securities				194,187		170,803
Total trading portfolio				470,100		455,071

Auditors' Report

Auditors' report to the Shareholders of PPF investiční společnost a.s. otevřený podílový fond SMÍŠENÝ

On the basis of our audit, on 17 April 2001 we issued an auditor's report on the Company's statutory financial statements, which are included in this annual report, and our report was as follows:

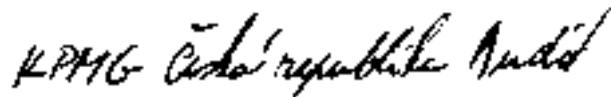
"We have audited the accompanying financial statements of PPF investiční společnost a.s. otevřený podílový fond SMÍŠENÝ for the period ended 31 December 2000. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of PPF investiční společnost a.s. otevřený podílový fond SMÍŠENÝ, as at 31 December 2000, and the results of its operations, cash flows and changes in equity for the period then ended in accordance with International Accounting Standards."

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

In Prague, 23 May 2001



KPMG Česká republika Audit, spol. s r.o.

Balance Sheet as at 31 December 2000, with comparative figures for 1999
(expressed in thousands of Czech crowns)

	Note	2000	1999
Assets			
Cash at bank		59,035	226,615
Trading securities		172,311	76,651
Other assets		2,401	194
		233,747	303,460
Liabilities			
Management fee payable	3	482	463
Deferred tax liability	10	142	–
Other payables and accrued liabilities		186	1,835
		810	2,298
Net assets		232,937	301,162
Shareholders' equity:			
Share capital	4	300,000	300,000
Retained earnings	5	(67,063)	1,162
		232,937	301,162
Number of shares		300,000	300,000
Net asset value per share (CZK)		776	1,004

See accompanying notes to financial statements.

Statement of Operations and Retained Earnings for the year ended 31 December 2000,
with comparative figures for period from 23 June to 31 December 1999 (expressed in thousands of Czech crowns)

	Note	2000	1999
Operating income			
Net (loss)/gain on trading portfolio	6	(65,646)	2,372
Interest income		5,257	3,655
		(60,389)	6,027
Expenses			
Management fees	7	5,212	1,763
Brokerage fees and commissions		2,006	643
Audit fees		168	105
Other fees and expenses		227	294
		7,613	2,805
Net (loss)/profit before taxes		(68,002)	3,222
Taxes on ordinary income	8	(223)	(2,060)
Net (loss)/profit for the period	5	(68,225)	1,162
Retained earnings, beginning of year		1,162	–
(Accumulated deficit)/retained earnings, end of year		(67,063)	1,162
Earnings per share (CZK)	9	(227.42)	3.87

See accompanying notes to financial statements.

Statement of Cash Flows for the year ended 31 December 2000, with comparative figures for 1999
(expressed in thousands of Czech crowns)

	2000	1999
Cash flows from operating activities		
Operating (loss)/profit before taxes and changes in operating assets and liabilities	(68,002)	3,222
Increase in other assets	(854)	(194)
Increase in trading portfolio	(95,660)	(76,651)
Increase in management fee payable	19	463
(Decrease)/increase in other payables and accrued liabilities	(1,649)	637
	(98,144)	(75,745)
Net cash used in operating activities before taxes	(166,146)	(72,523)
Income tax payments	(1,434)	(862)
Net cash used in operating activities	(167,580)	(73,385)
Cash flows from financing activities		
Share capital issued	-	300,000
Net cash provided by financing activities	-	300,000
Net (decrease)/increase in cash	(167,580)	226,615
Cash, beginning of period	226,615	-
Cash, end of period	59,035	226,615

See accompanying notes to financial statements.

Statement of total recognised gains and losses for the year ended 31 December 2000,
with comparative figures for 1999 (expressed in thousands of Czech crowns)

	2000	1999
Net gains not recognised in the statement of operations	-	-
Net (loss)/profit for the period	(68,225)	1,162
Total recognised gains and losses	(68,225)	1,162

See accompanying notes to financial statements.

Notes to Financial Statements for the year ended 31 December 2000**1. Description and principal activities****a) Establishment and description of the fund**

PPF investiční společnost a.s. otevřený podílový fond SMÍŠENÝ ("the Fund") was established as an open-end mutual fund on 23 June 1999. The Fund issued participation certificates on 9 September 1999 and has carried on investment activities since that date.

b) Organisational structure

The management and administration of the Fund's activities are provided by its founder, PPF investiční společnost a.s. ("the Manager").

c) Registered office

PPF investiční společnost a.s.
otevřený podílový fond SMÍŠENÝ
Na Pankráci 121
Praha 4
Czech Republic

2. Significant accounting policies

The significant accounting policies adopted in the preparation of the Fund's financial statements are set out below:

a) Basis of preparation

The financial statements have been prepared in accordance with International Accounting Standards and under the historical cost convention and full accrual accounting, except for trading securities which are carried at market value, as described below.

b) Trading securities

Trading securities are carried at market value based on prices quoted by recognized markets in the appropriate countries. Differences between market value and cost are included within the statement of operations. The cost of investments sold is determined using the average cost method. All realised gains and losses are taken to the statement of operations.

c) Taxation

Tax expense on the profit or loss for the period comprises current tax and the net change in deferred tax. Current tax comprises tax payable calculated on the basis of the expected taxable income for the period, using the tax rate effective at the balance sheet date.

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted taxes rates are used to determine deferred income tax.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized.

d) Foreign currency translation

Transactions in foreign currencies are converted at the rate of exchange ruling at the transaction date. At the balance sheet date, foreign currency monetary assets and liabilities are converted at the rate of exchange ruling at that date. Resulting exchange differences are recognised in the statement of operations.

e) Derivatives

The Fund uses derivative financial instruments to manage its exposures to foreign currency exchange risks arising from its activities. In accordance with its treasury policy, the Fund does not currently hold or issue derivatives for trading purposes. The derivatives used for hedging purposes are accounted for in the same manner as the hedged item. To the extent recognised, revaluation gains (or losses) are taken to the statement of operations and recorded as part of other assets (liabilities) in the balance sheet.

3. Related party transactions and balances

(a) Transactions

During the course of the period, the Fund completed a number of security trades at arm's length with a related party, as follows:

<u>(in thous. CZK)</u>	<u>Total sales</u>	<u>Total purchases</u>
PPF burzovní společnost a.s.	67,508	169,028

b) Payables

<u>(in thous. CZK)</u>	<u>2000</u>	<u>1999</u>
PPF investiční společnost a.s.	482	463

4. Share capital and premium

The nominal value of the issued share capital is TCZK 300,000, which consists of 300,000 shares, each at a nominal value of CZK 1,000. These shares were issued on 9 September 2000 at nominal value.

5. Reconciliation to Czech Statutory Accounts

The reconciliation of the net profit and retained earnings as reflected in the Czech Statutory Accounts to these financial statements is as follows:

(in thous. CZK)	Net profit	Retained earnings
Statutory Accounts as at 31 December 2000	1,196	7,164
Adjustment relating to forward foreign currency contracts	948	948
Adjustment to record short term securities at market value	(70,227)	(75,033)
Recognition of deferred tax liability	(142)	(142)
Total	(68,225)	(67,063)

6. Net gain on trading portfolio

(in thous. CZK)	2000	1999
Realised gains on sold securities	18,280	6,304
Foreign exchange rate differences	(15,328)	555
Market value differences	(70,227)	(4,806)
Interest income from debt securities	1,087	319
Income from equity securities	542	–
Net gain	(65,646)	2,372

7. Management fee

PPF investiční společnost, a.s. managed all of the Fund's activities in accordance with the Management Contract at a management fee of 1.75% of the average annual value of the investment portfolio of the Fund. The management fee for the 2000 totalled TCZK 5,212 (1999: TCZK 1,763).

8. Taxation

Income tax on funds in the Czech Republic is assessed at the rate of 15% (1999: 25%) of taxable income.

(in thous. CZK)	2000	1999
Current tax expense	81	2,060
Change in deferred tax provision	142	–
Tax expense	223	2,060

The following is a reconciliation of income taxes calculated at the applicable tax rate with the income tax expense for the period ended 31 December 2000 and 1999.

(in thous. CZK)	2000	1999
Accounting (loss)/profit before tax	(68,002)	3,222
Computed tax using applicable tax rate	(10,200)	805
Non deductible expenses and non taxable income	(272)	(66)
Tax loss carry forward, asset not recognized	83	–
Unrealised revaluation adjustments not recognized	10,535	1,321
Withholding tax on dividends	77	–
Income tax expense	223	2,060

9. Earnings per share

Earnings per share are calculated based on retained profit for the period and the weighted average number of shares in issue during the period.

(in thous. CZK)	2000	1999
Retained profit for the period	(68,225)	1,162
Weighted average number of shares outstanding (note 4)	300,000	300,000
Earnings per share (CZK)	(227.42)	3.87

10. Deferred taxation assets and liabilities

Deferred taxation assets and liabilities are attributable to the items described in the following table:

(in thous. CZK)	31 December 2000			31 December 1999		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Mark-to-market						
of trading securities not taxable	11,255	–	11,255	1,202	–	1,202
Unrealised forward foreign						
exchange contracts	–	(142)	(142)	119	–	119
Tax value of loss carry forwards	83	–	83	–	–	–
Total	11,338	(142)	11,196	1,321	–	1,321

In accordance with the requirements of IAS 12, deferred tax assets have not been recognised in these financial statements because of the uncertainty surrounding the recoverability of such assets. In order to recognise deferred tax assets, it must be probable that future taxable profits will be available against which the deferred tax asset can be utilised. Deferred tax liabilities have been recognized in full.

11. Commitments

The following forward contracts were outstanding at the end of the period:

(in thous. CZK)	2000	1999
Forward foreign currency sales	114,212	49,895

The Fund has recognised a net unrealised gain on the contracts totalling TCZK 948 at 31 December 2000 (1999: loss TCZK 476). Refer also to note 2 (e).

12. Financial instruments

A financial instrument is any contract that gives rise to the right to receive cash or another financial asset from another party (financial asset) or the obligation to deliver cash or another financial asset to another party (financial liability).

Financial instruments result in certain risks to the Fund. The most significant risks facing the Fund are discussed below.

(i) Foreign exchange risk

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Hedging instruments used by the Fund to manage this risk take the form of forward foreign exchange contracts and currency swaps.

(ii) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Information regarding interest bearing assets and liabilities of the Fund are contained in the preceding notes and schedule of investments. All other financial assets and liabilities are non-interest bearing except for term deposits totalling 58,842 TCZK (1999: 207,320 TCZK) which bear interest at market rates.

(iii) Fair values

Market values of investments as determined under note 2(b) are presented in the schedule of investments included in these financial statements. All other financial assets and financial liabilities of the Fund are deemed to approximate their market values.

13. Contingent liabilities

Many parts of Czech commercial, securities and tax legislation remain untested and there is uncertainty about the interpretation that the financial authorities may apply in a number of areas. The effect of this uncertainty cannot be quantified and will only be resolved as legislative precedents are set or when the official interpretations of the authorities are available.

Trading portfolio**Debt securities**

Issuer	Number of units	Purchase price per unit (CZK)	Cost (TCZK)	Market price per unit (CZK)	Total market value (TCZK)
HZL 1KB 8.125/04	1,000	10,508	10,508	10,495	10,495
DRESDEN BANK AG DRS FRN/03 ¹⁾	10,000	844	8,443	790	7,920
DRESDEN BANK AG-PHARM FRN/03 ²⁾	2,000	1,953	3,906	1,965	3,979
SPP 9.00/04	284	36,071	10,244	35,311	10,028
Total principal			33,100		32,422
Accrued interest			682		682
Total debt securities			33,782		33,104

¹⁾ zero-coupon bond with yield to maturity based on DJEUROSTOXXCONSTRUCTION index

²⁾ zero-coupon bond with yield to maturity based on DJEUROSTOXXHEALTHCARE index

Equity securities

Issuer	Number of shares	Currency	Purchase price per share (CZK)	Cost (TCZK)	Market price per share (TCZK)	Total market value (TCZK)
GLOBAL CROSSING	6,500	USD	1,796	11,675	541	3,517
NORTEL NETWORK CORP.	5,491	USD	2,116	11,621	1,212	6,657
SAINT – GLOBAIN	660	EUR	6,025	3,977	5,871	3,875
PECHINEY SA SERIES	2,000	EUR	1,865	3,731	1,709	3,417
ALTERA CORP.	1,400	USD	2,117	2,963	995	1,393
ANALOG DEVICES	1,800	USD	2,886	5,194	1,936	3,484
AVAYA INC.	150	USD	–	–	390	58
2B INTERNET HLDGRs	2,900	USD	1,758	5,097	673	1,953
MER LYNCH – BIO HLDGRs	2,900	USD	5,879	17,049	6,440	18,676
BROADCOM CORP. CL - A	700	USD	5,729	4,010	3,176	2,223
CISCO SYSTEMS	1,200	USD	2,533	3,040	1,446	1,736
CLEAR CHANNEL COMM.	2,500	USD	3,222	8,055	1,832	4,579
CORNING	1,480	USD	3,229	4,779	1,997	2,955
DELL COMPUTER	3,400	USD	1,697	5,771	659	2,242
EMC CORP.	3,000	USD	2,137	6,412	2,515	7,544
ERICSSON TEL CO ADR	12,000	USD	742	8,906	423	5,078
EXODUS COMM INC.	1,200	USD	1,629	1,954	756	908
EXXON MOBIL CORP	1,000	USD	3,189	3,189	3,287	3,287
INTEL	2,600	USD	2,418	6,286	1,137	2,955
IBM	1,400	USD	4,347	6,086	3,214	4,500
INTERNET INFR HLDGRs	2,500	USD	2,402	6,004	837	2,092
JDS UNIPHASE CORP.	1,750	USD	3,419	5,983	1,576	2,759
LSI LOGIC CORP.	2,000	USD	2,150	4,300	646	1,292
LUCENT TECHNOLOGY	1,800	USD	2,835	5,103	510	919
MER LY RUSSEL 2000 MITTS	3,500	USD	430	1,504	399	1,398
MICRON TECHNOLOGY	1,870	USD	2,143	4,007	1,342	2,510
MOTOROLA INC.	5,400	USD	1,803	9,738	766	4,135
NOKIA ADR	5,200	USD	1,829	9,509	1,645	8,553
PEREGRINE SYSTEMS	65	USD	–	–	747	49
AMEX ENERGY SELECT	5,000	USD	1,104	5,518	1,255	6,275

Equity securities – continued

Issuer	Number of shares	Currency	Purchase price per share (CZK)	Cost (TCZK)	Market price per share (TCZK)	Total market value (TCZK)
AMEX TECH SELECT INDEX	3,100	USD	1,909	5,917	1,184	3,670
SUN MICROSYSTEMS INC	2,800	USD	1,718	4,811	1,054	2,952
TELLABS INC.	1,800	USD	2,350	4,229	2,136	3,846
TEXACO INC.	1,400	USD	2,034	2,847	2,349	3,289
TEXAS INSTRUMENTS	2,400	USD	2,541	6,099	1,792	4,300
VIACOM INC	3,797	USD	1,996	7,578	1,768	6,712
VIGNETTE CORP.	2,700	USD	1,389	3,750	681	1,837
WEBMD CORP.	226	USD	–	–	300	68
WORLDCOM, INC.	2,850	USD	2,048	5,838	532	1,515
Total equity securities				212,532		139,207
Total trading portfolio				246,314		172,311

The work of Josef Sudek, a leading Czech photographer known all over the world, is inseparably linked to the studio where he lived and worked from 1927 until his death in 1976. While the exact date when the studio in Prague's Újezd street is not known, the building's floor plan was drawn up in 1901. In 1927 Josef Sudek signed a lease on the building and set up a laboratory and dark room, but the most spacious room of all is the actual studio with its many large windows. Although the space is not very large, just 12 x 7.5 meters, thanks to Sudek's works it has gone down as an indelible part of the history of Czech photography. From the beginning of World War II, which restricted Sudek's ability to work in the outdoors, the studio was the subject of several series of photographs – "The Window of My Studio" (1940 – 1954), "A Walk Through My Garden" (1944 – 1953), "The Garden of My Studio" (1950 – 1958). Thanks to these works, Sudek's studio became a famous and sought-after cultural monument.

After Sudek's death in 1976, the studio fell into disrepair, only to be completely destroyed by fire in 1985. Aside from a few fragment, nothing of the original studio remained. It seemed that this was the final chapter in the history of Sudek's studio, so closely tied to the artist's work.

However, the year 2000 brought new hope. Thanks to the financial support of PPF Group, preparations and, later, realization work began on a complete restoration of the photography studio according to the surviving floor plans and Sudek's own photographs. Thanks to painstaking efforts by the leading Czech art historian Dr. Anna Fárová, who over the past twenty years has compiled and catalogued Sudek's works and estate, enough information and documentation was gathered for the full restoration of the studio at number 30, Újezd Street, Prague. The appearance, size, location, space and functional design of the building are based on its original form. The building's all-wood structure with its sloping roof and striking studio window in the front facade were also restored according to the original plans. Everything that survived the fire, such as parts of the original furniture, were returned to their original places in the restored studio. Those portions of the furniture and fittings that did not survive were reconstructed with maximum attention to authentic detail and thus preserve the look and feel of the studio as known from Sudek's photography. In addition to the studio itself, the Újezd Street inner courtyard and garden where it is located was also renovated. Bushes and trees were planted and the long neglected land plot was relandscaped to restore its original character as an oasis of calm in the middle of a busy metropolis.

A victory of man and his skills over the ephemerality time – that, with a little exaggeration, is how we can describe the renovation of this monument to a man who exerted a major influence on whole generations of photographers. And it is the PPF Group, as initiator and developer, who pays tribute with this project to the artistic heritage of a great Czech photographer.

Currently, the Josef Sudek studio is used as a gallery showing the works of Czech photographers past and present. In the future, the studio will periodically return to the extensive opus of Josef Sudek and present those portions of it that the public has not yet had the opportunity to view.

www.sudek-atelier.cz

The artistic photographs in the 2000 Annual Report are accompanied by selected excerpts from the monography "Josef Sudek", 1955 (Anna Fárová).

fotograf
v zahradě

JOSEF SUDEK

Josef Sudek Studio
Újezd 30, 110 00 Prague 1
Czech Republic

- 1896** Josef Sudek is born on March 17 in Kolín, as the second child of his parents, the Sudeks. His father, a painter and interior decorator, dies three years later.
- 1915 – 1916** Sudek fights on the Italian front, where he also took photographs. He is hit by a grenade and loses his right arm.
- 1922 – 1924** Sudek studies photography at the School of Graphic Design under Professor Karel Novák.
- 1924** Sudek co-founds the Prague Photographic Society.
- 1927** Sudek settles down in his studio in Prague's Újezd Street.
- 1932** First one-man show in Prague.
- 1936** Sudek's work is shown in international exhibition at Mánes Gallery in Prague.
- 1958** Sudek moves to new studio at Úvoz Street, Prague, but continues to photograph at the Újezd Street studio.
- 1976** Sudek dies on September 15 in Prague.
Since his death a large number of books have been published in the Czech Republic and abroad on Sudek's life and work.

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