

# Annual Report

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The PSE is based on the membership principle, which means that all trades concluded on the Exchange are realised through its members. It organises the supply of and demand for securities registered at the Exchange in accordance with the terms of a licence issued by the Securities Commission.

The Exchange's trading results are published on the Internet, through information agencies and in the daily press (in an abbreviated version). The PSE's internet pages at [www.pse.cz](http://www.pse.cz) remain the most extensive and up-to-date source of

information from the Exchange. They give the general investing public access to the real-time values of the main Exchange indices, continuous trading results, statistical summaries, detailed information about issuers and the issues being traded on the Exchange's markets and a great deal of other information about the capital market.

From June 2001, the PSE was an associate member of the Federation of European Securities Exchanges (FESE). With effect from 1 May 2004 it became a full member.

Burza cenných papírů Praha, a.s.  
(the Prague Stock Exchange, the Exchange or the PSE) is the Czech Republic's main securities market organizer.

PX 50 INDEX FROM 2 JANUARY 2001 TO 31 MARCH 2004



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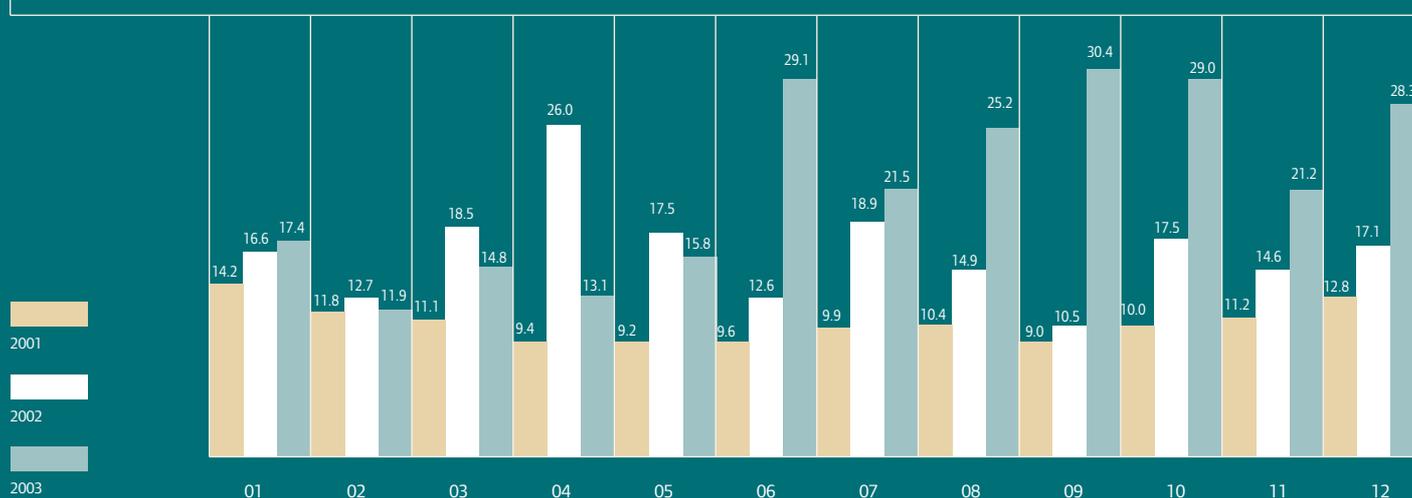
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# Selected Indicators

## KEY ANNUAL DATA FOR THE PERIOD 1993 – 2003

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
No. of trading sessions	<b>251</b>	250	250	249	254	251	250	249	234	161	41
Total annual value (CZK bn)	<b>1,367.4</b>	1,793.1	1,987.2	1,222.8	1,187.5	860.2	679.5	393.2	195.4	62.0	9.0
Of this: Shares+units	<b>257.4</b>	197.4	128.8	264.1	163.5	172.6	246.3	249.9	125.6	42.6	7.1
Bonds	<b>1,110.1</b>	1,595.7	1,858.4	958.7	1,024.0	687.6	433.2	143.3	69.8	19.4	1.9
Average daily value (CZK m)	<b>5,448.4</b>	7,172.3	7,948.7	4,911.0	4,675.1	3,427.1	2,718.1	1,579.1	835.1	385.3	220.0
Of this: Shares+units	<b>1,025.7</b>	789.6	515.2	1,060.8	643.5	687.6	985.2	1,003.8	536.9	264.6	173.9
Bonds	<b>4,422.7</b>	6,382.7	7,433.5	3,850.2	4,031.6	2,739.4	1,732.9	575.3	298.1	120.7	46.1
Percentage of shares+units in total value of trades (%)	<b>18.8</b>	11.0	6.5	21.6	13.8	20.1	36.2	63.6	64.3	68.7	79.0
No. of share and unit issues (end of year)	<b>65</b>	79	102	151	195	304	320	1,670	1,716	1,028	971
No. of bond issues (end of year)	<b>81</b>	74	84	94	95	98	92	80	48	27	11
Market capitalisation (CZK bn) – shares+units (end of year)	<b>644.5</b>	478.0	340.3	442.9	479.6	416.2	495.7	539.2	478.6	353.1	x
PX 50 Index (end of year)	<b>659.1</b>	460.7	394.6	478.5	489.7	394.2	495.3	539.6	425.9	557.2	705.2
PX-D Index (end of year)	<b>1,642.7</b>	1,166.4	1,065.6	1,366.0	1,296.7	996.4	1,235.0	x	x	x	x

## MONTHLY VALUE OF TRADES IN SHARES AND UNITS IN 2001–2003 (CZK BN)



In the previous two years, the PSE's results were significantly influenced by accounting operations related to the sale of the Exchange Palace building. This fact must be taken into account when assessing the trends in the key indicators.

In 2002 – when the decision on the sale of the building was made – a provision of CZK 172.212 million was created for the difference between the book value and the valuation made for the purpose of sale. This provision negatively influenced the PSE's financial results. Without the influence of the building's sale, the results before taxation would have totalled CZK 63.109 million.

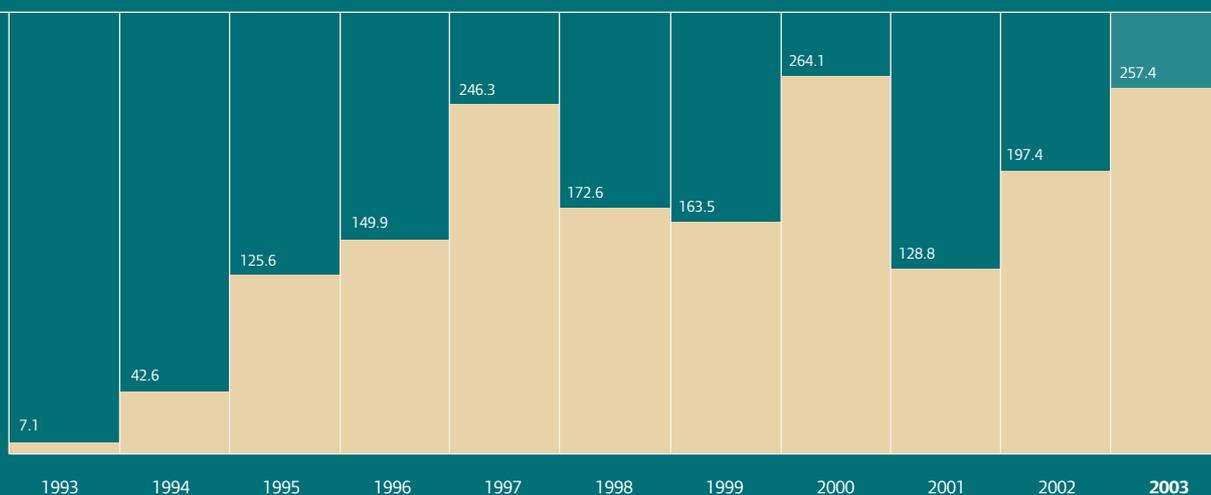
In 2003, the building was sold for a higher price than the valuation anticipated and the provision created in 2002 was dissolved. Without the influence of the sale of the building, the PSE's pre-tax profit would have totalled CZK 25.828 million.

The company has achieved – on a long-term basis – positive trading results. As the decline on the income side is continuing, the results are clearly being influenced by continual savings in operating costs.

#### PSE'S KEY FINANCIAL INDICATORS (CZK M)

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Revenues	<b>359</b>	199	202	241	265	258
Costs	<b>312</b>	320	168	192	245	240
Profit/loss before tax	<b>47</b>	-121	34	49	20	18
Profit/loss after tax	<b>38</b>	-124	21	32	11	14
Equity	<b>348</b>	339	466	445	437	429

#### ANNUAL VALUE OF TRADES IN SHARES AND UNITS (CZK BN)



# Major Events 1992–2004

'92

24 Nov  
The Prague Stock Exchange established.

'93

6 Apr  
Trading opened in 7 securities issues on the Exchange floor.

22 Jun  
622 share issues from the 1st wave of coupon privatisation launched on the Exchange market.

13 Jul  
333 share issues from the 1st wave of coupon privatisation launched on the Exchange market.

'94

5 Apr  
Calculation of the Exchange's official PX 50 index begun.

'95

1 Mar  
674 share issues from the 2nd wave of coupon privatisation launched on the Exchange markets.

6 Apr  
The PX-GLOB and PXL summary indices opened, along with 19 sector indices.

1 Sep  
The Exchange's market divided into three new markets: the Main, the Secondary (originally the listed market) and the Free (originally the unlisted market).

'96

15 Mar  
Trading begun in the KOBOS system (continual trading at variable prices – an order-driven system).

# '97

1,301 illiquid share issues withdrawn from the Exchange's Free Market with the aim to increase the transparency of the market.

# '98

**1 Apr**  
The Securities Commission's functioning begun.

**25 May**  
Trading in SPAD (the System for Support of the Share and Bond Markets) begun.

# '99

**4 Jan**  
The new continuously calculated PX-D index introduced.

Continual calculation of the PX 50 index begun.

# '01

**14 Jun**  
PSE accepted as an associate member of the Federation of European Securities Exchanges (FESE).

# '02

**1 Oct**  
Trading in the 1st foreign share issue ERSTE BANK on the Exchange opened.

# '04

**1 May**  
New laws regulating the capital market came into effect: the Capital Markets Undertaking Act, the Bond Act and the Collective Investment Act.

# Events of 2003

## '03

### 28 February

Petr Bodnár resigned from the Exchange Chamber.

### 1 March

Changes in the part of the Exchange Regulations which governs the admission of securities to the Exchange markets came into effect. The changes regulate the admission of foreign securities and the disclosure duties of their issuers.

### April

The Exchange celebrated the 10th anniversary of trading at the PSE. The first trading session on the Exchange floor on 6 April 1993 began a new era in the history of Czech stock trading.

### 2 May

An amendment to the Rules of Administrative Proceedings part of the Exchange Regulations came into effect. The approved amendment authorizes the Exchange to withdraw a security from trading if trading with the issue is suspended for more than six months.

### 7 May

The Exchange Listing Committee approved the prospectus of the Komerční banka, a.s. mortgage debenture bond programme, including joint issue conditions: a value of CZK 15 billion and a duration of 10-years.

### 21 May

Union banka, a.s. terminated its membership of the Exchange.

### 28 May

The Exchange Listing Committee approved the prospectus of ČEZ, a. s. bond programme, including joint issue conditions: a value of CZK 30 billion and a duration of 10-years.

Tomáš Ševčík resigned from the Exchange Chamber.

### 29 May

The eleventh ordinary General Meeting of PSE shareholders approved the Report on the state of its assets for 2002, the 2002 financial statements including the decision on the settlement of loss, Principles of the PSE's Activities for 2003 and changes in the PSE's Statutes, and elected a new member of the Exchange Chamber - Tomáš Zralý.

### 1 June

HVB Bank Czech Republic, a.s. the PSE shareholder, renewed its membership and opened trading at the Exchange.

### 25 June

Activities of CA IB Securities, a.s. related to Exchange trading passed over to HVB Bank Czech Republic, a.s.

Miroslav Fučík resigned from the PSE's Supervisory Board.

# '04

## 29 July

CA IB Securities, a.s. terminated its membership of the Exchange.

## 15 August

An amendment to the parts of Exchange Regulations concerning block trades and the Rules of Administrative Proceedings came into effect. The new provisions enable members of the Exchange to cancel an incorrectly entered registration of a block trade in the course of the trading session. They also introduce authorization of the head of the trading session to suspend trading during a crisis.

## November

The sale of the Exchange Palace, in which the PSE remains as a tenant on the basis of a long-term lease contract, was completed.

## 28 November

The Supervisory Board co-opted Tomas Spurný, Chairman of the Board of Directors of Všeobecná úverová banka, a.s. as its member.

## 1 January

An amendment to the parts of the Exchange Regulations dealing with admission of securities to Exchange markets came into effect. The aim of the changes was to allow issuers to replace contractual documents required for submission by the PSE with a corresponding statement, to submit only consolidated financial statements in compliance with the IFRS and to submit documents to the Exchange – as part of the admission of a security to trading – in electronic form.

The Tariff of Exchange Fees for 2004 came into force. All fees remain at the same level as in 2003 except for a one-off fee for the admission of a security to the Exchange's Free Market which rose to CZK 50,000.

## 29 February

Dušan Baran resigned from the post of Chairman of the Exchange Chamber and from his membership of the Exchange Chamber.

## 24 March

The Exchange Chamber co-opted Daniel Heler, member of the Board of Directors and Deputy CEO of Česká spořitelna, a.s. as a new member of the Exchange Chamber.

## 19 May

Pavel Hollmann resigned from the Exchange Chamber.

## 31 May

Pavel Hollmann ended his activities on the Exchange as PSE's General Secretary and General Director, respectively.

# Interview with the PSE's General Secretary

Pavel Hollmann, member of the Exchange Chamber and General Secretary of the Prague Stock Exchange, answers questions concerning the PSE's development during 2003 and its further prospects in the context of the Czech capital market.

## **How did the Exchange trading develop in 2003?**

2003 was mainly the year of the capital market – and it was very successful. The total value of trades in shares increased by 30.4% against the previous year, reaching the second highest value in the PSE's history. PX 50 index, the official Exchange index increased year-on-year by 43.1%. As in 2002, the Czech market therefore ranked among the fastest growing markets although most of the big advanced markets also recorded a growth in 2003. Growing share prices were reflected in the value of market capitalisation which increased year-on-year by 34.8%. KOMERČNÍ BANKA became the most liquid share issue – the same as in 2002.

The share market also developed very favourably in the first quarter of 2004. The total value of trades in shares stood at a record value and the March value was the highest of the monthly values. In February 2004, the PSE recorded its highest daily trading value. The

cross-section indices markedly improved in the first quarter of 2004 and the official PX 50 index increased by 25.0%.

## **How did the Exchange market change in 2003?**

The securities market did not noticeably change. During the year, 21 issues were admitted to the Exchange markets, mostly bonds, and 28 issues were withdrawn. In the case of bonds, the most frequent reason for exclusion was payment of the issue; in the case of shares it was mostly cancellation of the registration on the public market based on the issuer's request. Two issues were excluded because they no longer met the requirements of the Act on Securities.

During the year, the Exchange Listing Committee approved four other bond programmes which allow the issuer to register a bond issue on the Exchange market on the basis of the joint issue conditions for a given time period and up to a specified approved value.

## **How would you describe the developments on the Czech capital market in 2003?**

The year 2003 can be described as more or less successful for the Czech capital market. Throughout the year, the interest of investors – mostly foreign investors – permanently grew.

Among other things, it can be attributed to the approaching date of the Czech Republic's accession to the European Union. The year-on-year growth in the official PSE index is the highest in the Exchange's 10-year-old history. The last year of preparations for the Czech Republic's entry to the EU was also reflected in the sphere of legislation. The work on new laws whose main target was to harmonize the Czech law with that of the EU, continued. The laws were approved in April 2004 and they came into force on 1 May 2004. These are crucial laws for the Czech capital market: the Act on Collective Investment, which replaces the Act on Investment Companies and Investment Funds, the Capital Markets Undertaking Act which roughly replaces the Act on Securities and the Act on the Stock Exchange, and the Bond Act.

#### **What are the main effects of the new acts?**

The Act on Collective Investment introduces a so-called European passport. On the one hand, it will allow the investment companies and issuers of securities to engage in activities throughout the European market, but, on the other hand, it will increase competition. It also broadens the range of services provided by investment companies to include, for example, trading in securities. The act stipulates the possibility to establish special funds and

removes the special-purpose mortgage loans. The new Bond Act harmonizes the Czech laws governing this area with EU law and defines in an unambiguous way the investment security guarantee for the issuer. It further broadens the required information of the bond issue conditions and unequivocally defines the Securities Commission's procedure of their approval. The brand new Capital Markets Undertaking Act which replaced the Act on Securities and the Stock Exchange Act contains a number of new provisions. For us, one of the most important passages in the act concerns the creation of conditions for the establishment of the Central Depository of Securities.

#### **What is the benefit of Central Depository?**

The Central Depository project is on the shortlist of the Exchange's main development projects for the immediate future. On the advanced markets, the Central Depository which ensures both registration and settlement of securities is usually a standard institution. We co-operate on this project with the Ministry of Finance. Our target is to establish an institution that would enable the development of services in this area responding to the requirements of the market. The Central Depository will lead to lower transactions costs, increase the competitive edge of the system and create conditions for the

development of "cross-border" operations. Representatives of all parties involved in the project created work teams which tackle tasks connected with its preparation. The Central Depository will be based on the participation principle; in general, it will particularly ensure the registration of securities issues (both booked and certificated), keep records of securities in accounts, client accounts and owners and the settlement of trades in securities, maintain the data register and ensure the safe custody of certificated securities. The project also continues in 2004.

#### **Did the Exchange's legal regulations significantly change during 2003?**

The most significant change in the PSE's legal regulations concerned the admission of securities. The first amendment to the Exchange Regulations from the beginning of 2003 regulated the admission of foreign securities and the disclosure duty of their issuers. A foreign security issuer can provide documents and partially also fill in its disclosure duties in English. The extent and deadlines of the issuer's disclosure duties can be set differently according to the existing time schedule. The second amendment to the Exchange Regulations from the end of 2003 simplified the form and method of providing the documents

# Interview with the PSE's General Secretary

concerning the admission of the security and the issuer's disclosure duties. Other amendments to regulations involved trading. The changes in the Exchange Regulations allowed the Exchange members to cancel an incorrectly entered registration of a block trade during the given trading session and authorized the head of the trading session to suspend trading in a crisis.

## **Did the Exchange fees for services change in 2003?**

I would like to stress that the Exchange promotes a long-term "fee-freezing" policy, despite the year-on-year inflation growth, higher input etc. Taking into account these influences, in relative terms the Exchange has been reducing its prices. On top of this, the Exchange trading fees were temporarily reduced by 50% in November and December 2003 in an effort to boost liquidity of the market. The Exchange fees for 2004, approved by the December meeting of the Exchange Chamber, remained at the same level with the exception of the one-off fee for admission of a security to the Exchange's Free Market.

## **Were there any changes in the Exchange's membership base?**

The Exchange's membership base is continually being stabilised. Two companies ended their

membership of the Exchange in 2003: Union banka, a.s., and CA IB Securities, a.s. In the latter case, the CA IB Securities activities on the capital market were taken over by HVB Bank Czech Republic a.s. which – in contrast – renewed its membership. As of 1 January 2004, the Exchange had 28 members.

## **What projects did the Exchange realise in 2003?**

In 2003, the Exchange focused on the modernisation of the technology and communication infrastructure and on activities linked to the technical preparation of the Central Depository. The primary aim of the upgrade was the innovation of the trading system, higher efficiency and reliability of communication, development of software supporting the Exchange services and a new, safe issuer-connection project which the Exchange opened for operation at the end of 2003. This is an Internet application which provides greater convenience, accelerates and facilitates distribution of authorized information and enables a better overview of the fulfilment of disclosure duties.

The programming work concentrated on the next phase of inspection SW and on increasing the functionality of the settlement and evidence of securities. In 2004, the work is

continuing in compliance with the requirements of the Capital Markets Undertaking Act. In 2003, the Exchange's holding in the Exchange Palace was sold as part of the project to increase the PSE's shareholder value.

## **How did economy of the PSE develop in 2003?**

The Exchange ended the year 2003 with a pre-tax profit of over CZK 47 million. Both higher receipts, especially income from trading, as well as lower operating costs contributed to this positive result.

## **What is the PSE's strategy in the forthcoming period?**

The PSE's major development project is our participation in the establishment of the Central Depository which aims to unify and improve the efficiency of the settlement and registration process in the Czech Republic.

The Exchange's long-term target is its active involvement in drafting amendments to laws and the harmonization of the Czech legal regulations concerning the capital market. In connection with the Czech Republic's accession to the European Union, we have noted the interest of foreign securities brokers in trading on the Prague Stock Exchange. In response to their interest we are preparing conditions for "remote access".

# The PSE's Development Strategy

The Exchange's development is guided by the goal of fulfilling the needs of the PSE's shareholders and members in the sphere of the capital market. In a situation where the distinct globalisation of European capital markets advised around 2000 is not proceeding at the anticipated pace, the main emphasis is put on the development of local services. At the same time, we very carefully monitor the situation on European exchanges so that the PSE is ready for any opportunities for a broader involvement in the European market if it is considered expedient by PSE shareholders. Possibilities for co-operation with exchanges in Austria, Hungary and Slovakia were researched in great detail in 2003. Based on the analyses, potential linkage of the Czech and Slovak capital markets seems the most promising and negotiations in this direction are also continuing in 2004

The participation in the establishment of the Central Depository, which aims at unifying and improving the efficiency of the settlement and registration process in the Czech Republic, is

another significant PSE project for 2003 - 2005. The Depository should contribute to lower transaction costs, extend services in the area of registration and settlement, allow multi-category registration and, last but not least, also increase the influence of capital market participants on the Central Depository's efficiency and quality.

The PSE co-operated in the drafting of amendments to laws governing the Czech capital market and, subsequently, the harmonization of PSE internal regulations with the amended laws regulating the capital market and with EU standards. The Exchange therefore continually monitors amendments to the respective European laws and regulations with the aim of responding promptly to all current changes.

The interest of foreign companies in PSE membership has recently been growing. For this reason, the legal and technical aspects of potential admission of new members from EU countries have been evaluated.

# The PSE's Activities in 2003

## Securities

The main target of the Trading and Securities Department is to provide a reliable and transparent environment for Exchange members, securities issuers and investors. In addition to its ordinary activities, the Trading Department also participates in the preparation of laws governing capital market conditions and, subsequently, submits proposals for changes in the Exchange rules. The Securities unit of the Department ensures strictly standardized registration of securities and supervises the fulfilment of the issuers' disclosure duties.

In 2003, the Securities unit – in co-operation with the IT Department – concentrated especially on improving the quality of the registration of data on issues and information from issuers, including an authorized transfer of information from issuers to the Exchange using the new software application. In accordance with the Exchange's objective to support the entry of foreign securities, the Department also participated in the preparation of new favourable terms for their admission. In the immediate future, we can expect further tasks related particularly to the necessity of incorporating requirements of the Capital Markets Undertaking Act into PSE rules and internal procedures.



Jiří Opletal

1st Deputy General Secretary  
and Director of Trading and Securities Department

In 2003, trading took standardly place on three basic Exchange markets:

- the Main
- the Secondary, and
- the Free.

This segmentation allows the quick orientation of market participants in specifications of the issues and information available on the respective issuers. The Exchange Regulations specify the requirements for individual markets. Securities meeting the requirements of the Securities Act can be admitted to trading on the Free Market without the Exchange imposing any other duties on the issuer. The

Main and the Secondary markets are regarded as prestigious markets, since stricter demands are made on the issues traded on these markets and their issuers. By being admitted to these markets, the issuer acquires a reputation for openness and flexibility, or a willingness to communicate with the investing public.

### Disclosure duties of issuers

#### Free Market

The Exchange Regulations require an issuer whose issue is registered on the Free Market to fulfil information disclosure duties in line with

the provisions of the Securities Act. This involves in particular the submission of an annual report, including financial statements, half-year reports, information about the conveying of general meetings, dividend payments, proposed changes in the issuer's articles of association or founding deeds and any other facts relating to the issuer which can cause a major change in the price of the security issued by it.

#### Prestigious markets

The Exchange Regulations impose other duties on issuers whose securities are registered on the PSE Main, Secondary and New markets. Among others, these include the submission of preliminary business results and the sending out of quarterly business results and the minutes of general meetings. In addition, companies registered on the Main Market must submit ordinary financial statements compiled in accordance with International Financial

Reporting Standards (IFRS). All information, except for original or notarised copies of documents, is sent to the PSE electronically. After the information on securities issues and issuers has been checked, it is distributed in real time to member companies and news agencies.

To facilitate the fulfilment of disclosure duties, the PSE prepared, tested, and, at the end of year, put into operation a new method for sending the information by issuers to the Exchange in 2003. It is an Internet application which provides greater convenience for the issuers, accelerates and facilitates sending of authorized information and provides a better overview of the fulfilment of disclosure duties.

#### Changes in the Exchange Regulations

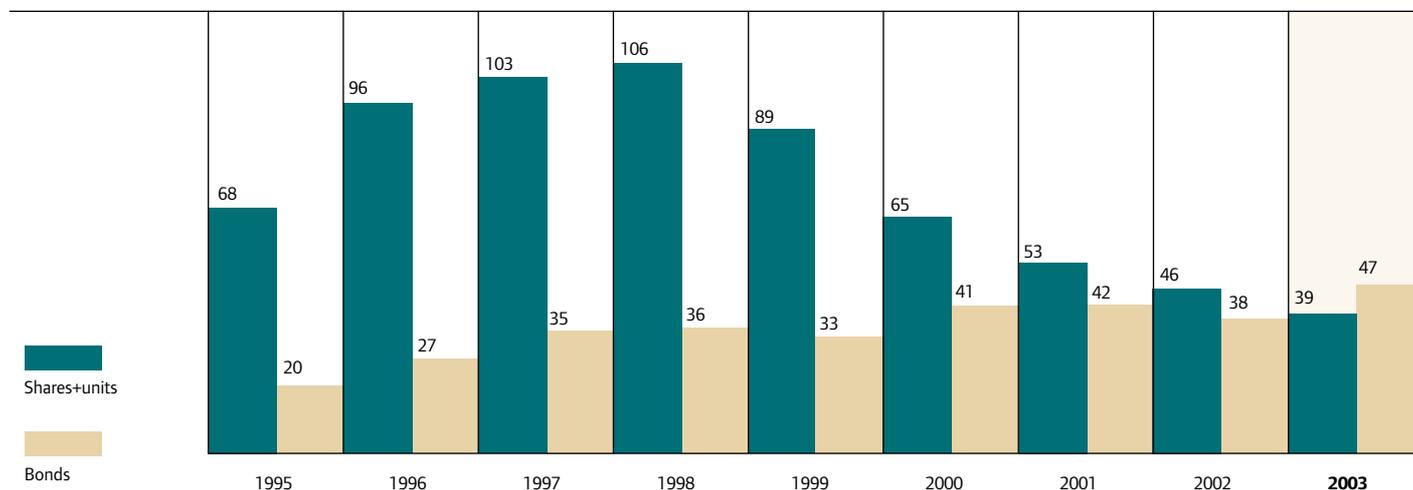
The Exchange Regulations respond to amendments to laws and regulations, market

requirements and the PSE's objectives. The 2003 amendments to the parts of the Exchange Regulations stipulating the Requirements for Admission of a Security to Trading at the Exchange primarily changed the admission procedure of securities for trading and fulfilment of disclosure duties. The aim of the amendments was to simplify admission of foreign securities and allow the issuers to fulfil their disclosure duties – at least partially – in English.

#### Sanctions

In 2003, the PSE again systematically monitored issuers's fulfilment of their disclosure duties and during the year imposed two sanctions. In both cases, it was a CZK 30,000 fine for late delivery of the respective company's annual report.

### NUMBER OF ISSUES ON THE MAIN AND SECONDARY MARKETS (END OF YEAR)



# The PSE's Activities in 2003

## Number of securities

21 securities issues were admitted to the Exchange markets in 2003, mainly bond securities, i.e. state bonds, mortgage debentures, bank and corporate bonds of renowned companies. The majority of these issues was directed to the prestigious markets.

28 issues were withdrawn during the year, mostly because the bond issues were duly paid-off. Several share issues were withdrawn based on an issuer's request to cancel their registration on the public market. Two issues had to be withdrawn from the Exchange market because they no longer satisfied the requirements of the Securities Act.

## Bond programmes

By approving a bond programme, the PSE allows the admission of bond issues of a specific issuer on the basis of joint issue conditions at a given time and up to the agreed value of unpaid bonds.

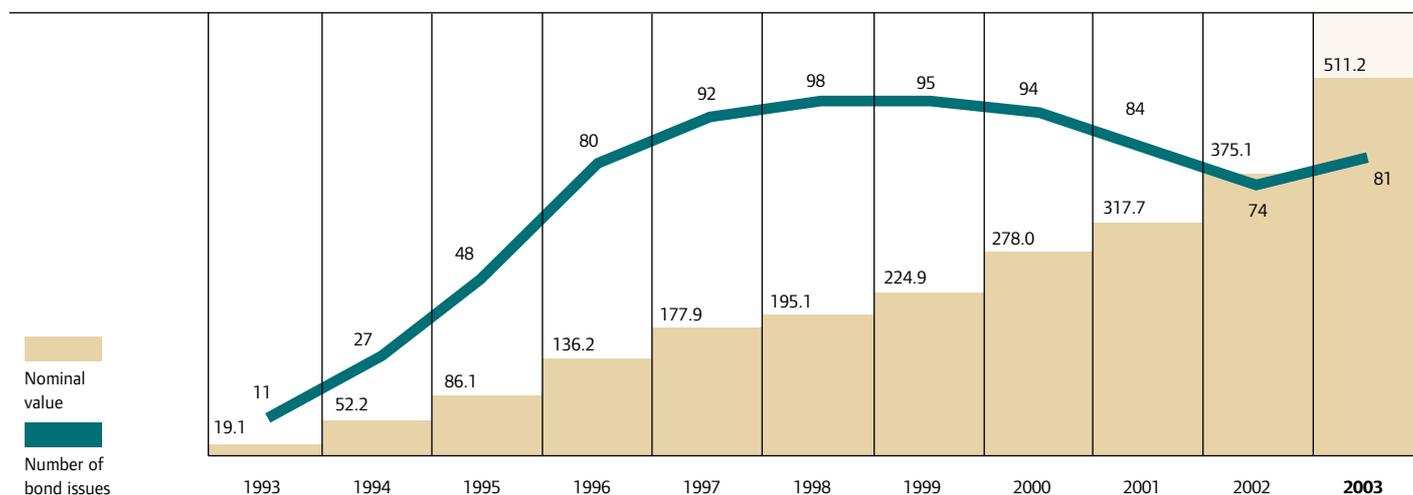
### SECURITIES TRADED AS AT 31 DECEMBER 2003

	Shares	Bonds
Main Market	5	27
Secondary Market	34	20
Free Market	26	34

### IN 2003, THE EXCHANGE LISTING COMMITTEE APPROVED THE FOLLOWING BOND PROGRAMMES

Issuer	Total approved value of the bond programme	Duration
Československá obchodní banka, a.s.	CZK 30 billion	10 years
Česká spořitelna, a.s.	CZK 10 billion	10 years
ČEZ, a. s.	CZK 30 billion	10 years
Komerční banka, a.s.	CZK 15 billion	10 years

### NOMINAL VALUE (CZK BN) AND NUMBER OF BOND ISSUES – END OF THE YEAR



## Trading

Activities related to the supervision of trading in real time are the key task of the Trading unit of the Trading and Securities Department. It supervises and evaluates the course of trading, and ensures the observation of the set trading procedures and rules. The Trading unit also monitors developments in the legal sphere and market stimuli and assesses the efficiency of Exchange rules with respect to Exchange trading. It proposes potential changes which are – after being discussed and approved – incorporated in the Exchange Regulations and then, in co-operation with the IT Department, tests their practical usage.

**Jiří Opletal**

1st Deputy General Secretary  
and Director of Trading and Securities Department

### Trading

No major changes resulting from amendments to laws and decrees governing the conditions on the capital market affected the Exchange trading in 2003. The PSE was thus able to ensure 251 problem-free trading sessions without any serious technical problems.

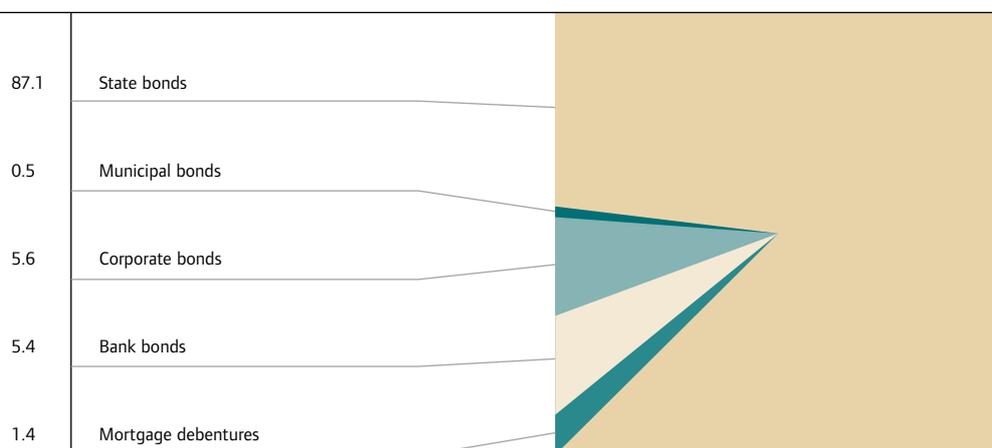
#### The Exchange's automated trading system enabled the PSE members to conclude trades in:

- SPAD
- automated trades:
  - auction regime
  - continual regime
- block trades:
  - member to member
  - member to non-member

The trading method of individual securities issues was based on their inclusion in one of the three trading groups.

In August, the Exchange introduced a new service for block trades: based on a written request, the Exchange member can cancel an incorrectly entered registration of a block trade during the given trading session. The introduction of this service required a change in the part of the Exchange Regulations regulating the block trades. The reduction of fees for trading by 50% between 1 November and 31 December 2003 was another significant PSE's activity which was aimed at supporting liquidity of the Exchange market.

#### VALUE OF TRADES ON THE BOND MARKET IN 2003 (IN %)



# The PSE's Activities in 2003

## The Exchange indices

At the beginning of 2003, the base of the PX 50, the official Exchange index, included 18 issues. The number of base issues for the second half of 2003 was reduced to 16 as a result of the regular update of the base. Issues with unsatisfactory liquidity were exchanged at the beginning of 2004 in line with the Principles of the PX 50 Index Base Update. After the changes, 16 issues were included in the base again in the first half of 2004. The reduced number of securities is applied in the calculation of the index for the issues of ERSTE BANK, ČESKÝ TELECOM and KOMERČNÍ BANKA because of the limitation of the issue's share in the market capitalisation of the base as at the decisive date (15 December) at 20%.

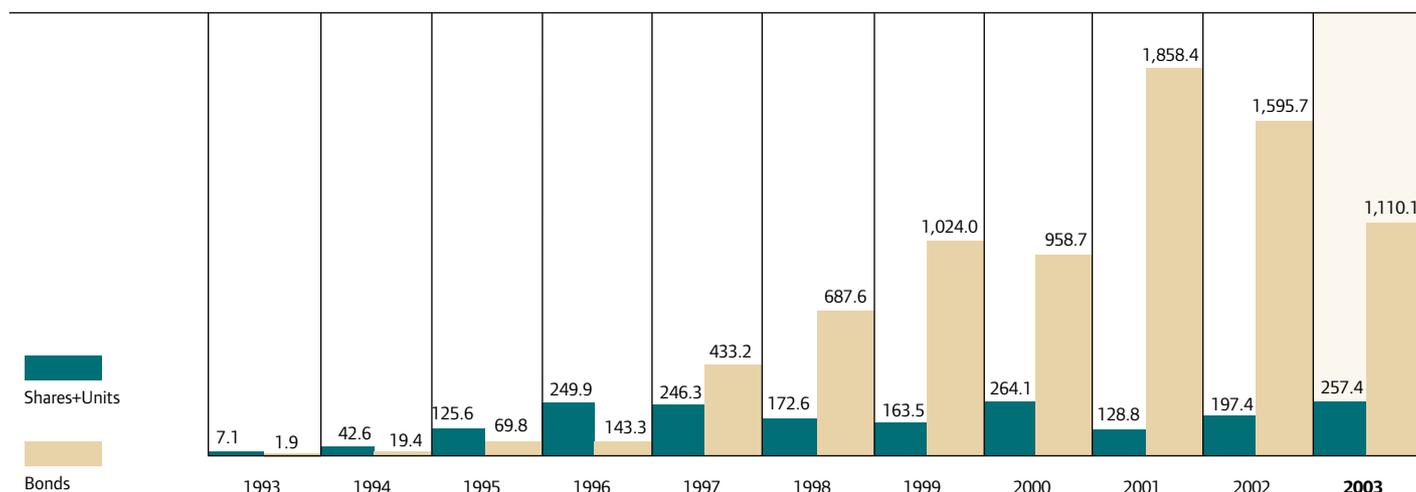
Constituents included in the PX-D index base which is formed by issues traded in SPAD did not change in 2003. At the beginning of 2004, the PX-D index base contained seven issues: ČESKÉ RADIOKOMUNIKACE, ČESKÝ TELECOM, ČEZ, ERSTE BANK, KOMERČNÍ BANKA, PHILIP MORRIS ČR and UNIPETROL. In 2003, these issues accounted for over 99% of the total value of pricing trades on the share market, and an estimated 80% of market capitalisation of the share market on 30 December 2003. At the beginning of 2004, a reduced number of securities was used in the calculation of the PX-D index in the case of ERSTE BANK issue because of the limitation of the issue's share in the market capitalisation of the base as at the decisive date at (30 November) 35%.

The BI03 sector index – Beverages and Tobacco Production was cancelled as at 15 July 2003 because of an insufficient number of constituents. At the beginning of 2004, the PSE set values of 10 sector indices. The PX-GLOB index base comprised 65 issues.

## Evaluation of the 2003 trading results

The value of trades totalled CZK 1,367.5 billion, with a daily average of CZK 5.448 billion, i. e. it declined by 23.7% compared with the previous year. In terms of quarterly balances, the first quarter was the most successful. Securities worth CZK 385 billion, i.e. 28.2% of the annual value, were traded in this period. The smallest traded value of CZK 295.7 billion was achieved in the

## YEARLY VALUES OF TRADES IN SHARES+UNITS AND BONDS (CZK BN)



fourth quarter (21.6%). While the annual value of trades on the bond market was CZK 1,110.1 billion, i.e. a 30.4% decline against the previous year, the value of trades on the share and unit market totalled CZK 257.4 billion, i.e. increased by 30.4%. The percentage of shares and units in the total value of trades therefore increased from 11.0% in 2002 to 18.8% in 2003.

## SHARE AND UNIT MARKET

### The year 2003

The total value of trades of CZK 257.4 billion was the second highest annual value achieved in the PSE's history and just 2.5% lower than the 2000 record. It exceeded the 2002 trading

value by a distinct 30.4%. The SPAD trading segment accounted for 60.9% of the total value of shares and units traded, block trades

for 36.7%, the continual regime for 2.3% and auction trades for 0.1%.

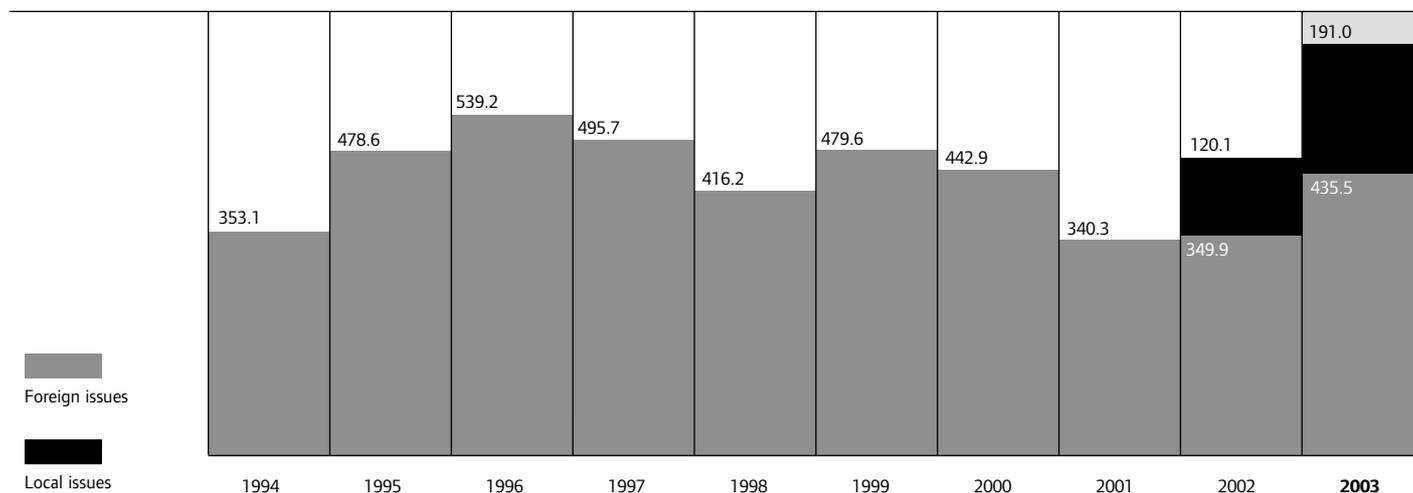
The share market also recorded a positive price

### 10 SHARE ISSUES WITH THE HIGHEST TRADE VALUE IN 2003

Rank	Name of issue	Trade value (CZK m)	Percentage (%)	Yearly change in price (%)
1	KOMERČNÍ BANKA	101,157.8	39.29	16.36
2	ČESKÝ TELECOM	64,924.1	25.22	19.04
3	ČEZ	44,242.4	17.19	57.56
4	PHILIP MORRIS ČR	19,186.9	7.45	41.05
5	ERSTE BANK	12,969.3	5.04	58.96
6	UNIPETROL	8,659.8	3.36	92.08
7	ČESKÉ RADIOKOMUN.	4,751.1	1.85	82.54
8	ČESKÁ POJIŠŤOVNA	661.4	0.26	110.73
9	ISPAT NOVÁ HUŤ	315.4	0.12	472.12
10	METROSTAV*)	232.6	0.09	-

\*) As at 17. 9. 2003, the issue was excluded from trading at the PSE.

### MARKET CAPITALISATION – SHARES+UNITS (END OF YEAR)



# The PSE's Activities in 2003

development. The cross-sectional share indices significantly improved. The value of the official PX 50 index rose year-on-year by 43.1%, of the PX-GLOB index by 41.6% and of the PX-D index by 40.8%. The reason for the rises was, in particular, the higher prices of issues in the main capitalised sectors. The index of Finance and Banking (BI15) rose by 43.1%, Power Generation index (BI12) improved by 41.6% and the value of Transport and Communications index (BI13) increased by 23.3%. KOMERČNÍ BANKA was the most traded share title again in 2003. Compared with the previous year, market capitalisation rose by 34.8%. At the end of 2003, it totalled CZK 644.5 billion including market capitalisation of the foreign issue of

ERSTE BANK of CZK 191.0 billion. The number of issues dropped from 79 (on 30 December 2002) to 65 (on 30 December 2003).

## The first quarter of 2004

The first quarter was very successful for the share market. The value of trades totalled a record amount of CZK 121.465 billion which represents a year-on-year increase of 175.8%. The March value (CZK 48.441 billion) ranked first among all monthly values. The highest daily value of trades was recorded in February (CZK 2.154 billion). The cross-sectional indices markedly improved in the first quarter of 2004. The official PX 50 index rose by 25.0%, PX-D index by 25.2% and the PX-GLOB index by 22.6%.

## THE BOND MARKET

The value of trades in 2003 totalled CZK 1,110.1 billion. Compared with 2002, it dropped by 30.4%. As in the previous year, the majority of trades were in state bonds (87.1%). Corporate bonds accounted for 5.6%, bank bonds for 5.4%, mortgage debentures for 1.4% and municipal bonds for 0.5% of the total yearly value of bond trades. Market capitalisation increased year-on-year from CZK 372.5 billion at the end of 2002 to CZK 505.5 billion at 30 December 2003, by 35.7%.

## VALUE OF TRADES IN 2003 BY TYPE OF THE MARKET AND SECURITY

		Bonds		Shares		Total	
		Value (CZK bn)	Number (thousand pcs.)	Value (CZK bn)	Number (thousand pcs.)	Value (CZK bn)	Number (thousand pcs.)
<b>Main Market</b>	ST	0.000	0	75.730	227,774	75.730	227,774
	OT	1,027.163	87,679	156.223	579,870	1,183.387	667,548
	Total	1,027.163	87,679	231.953	807,643	1,259.117	895,322
<b>Secondary Market</b>	ST	0.000	0	1.378	5,433	1.378	5,433
	OT	53.148	2,122	4.783	16,057	57.931	18,180
	Total	53.148	2,122	6.161	21,490	59.309	23,613
<b>Free Market</b>	ST	0.007	1	7.382	656	7.389	656
	OT	29.786	2,105	11.946	982	41.732	3,086
	Total	29.793	2,105	19.328	1,637	49.121	3,743
<b>Total</b>	ST	0.007	1	84.490	233,862	84.497	233,863
	OT	1,110.097	91,906	172.953	596,909	1,283.050	688,814
	Total	1,110.104	91,906	257.442	830,771	1,367.546	922,677

ST = system trades which include automated trades (auction + continual) and trades concluded in SPAD with market makers' duties  
OT = other trades by Exchange members which include trades in SPAD without market makers' duties and block trades

## Settlement

The joint-stock company UNIVYC (Univyc) was established in 1996 as a result of the transformation of the Burzovní registr cenných papírů, s.r.o. (Securities Exchange Register). Like its predecessor, it is a 100% subsidiary of the Prague Stock Exchange. Its principal activities include settlement of Exchange and off-Exchange trades in securities. It also provides a wide range of services and products to PSE and Univyc members: from the lending of securities, the settlement of trades in foreign securities to settlement of primary issues. Traditionally, Univyc has settled over 99% of the annual value of trades in securities on the Czech capital market.



Helena Čacká

Managing Director and Chairwoman  
of the Board of Directors, UNIVYC, a.s.

### Settlement

Univyc arranges financial settlement through payment orders sent to the Czech National Bank's Clearing Centre. In 2003, it sent almost 138 thousand orders, worth a total of CZK 2,826 billion, which represents 99,7% of all trades completed on the Czech capital market. The Exchange trades accounted for almost 50% of this figure. In other words, Univyc settled 66.6% of all transactions on the Czech capital market: compared with 2002 it is an 11% increase.

### Other activities

In 2003, Univyc negotiated the settlement of 41 primary bond issues worth CZK 167 billion. During the year it ensured the payment of yields on three issues of certificated securities and one foreign share issue (Erste Bank). As in previous years, the depository of Komerční banka, a.s. was used for the safe custody of securities.

Univyc actively participated in the creation of new laws regulating the Czech capital market throughout the year, particularly the Capital Markets Undertaking Act.

The software used for connection with Clearstream, the foreign settlement centre, which Univyc has actively used since October 2002, has been upgraded and communication via the Internet application CreationOnline was introduced.

### Central Depository

In May 2003, Mrs Čacká was appointed coordinator of the Securities Central Depository project. Representatives of the companies involved in the project, which include the PSE, Univyc, Securities Centre (SC) and the Czech Republic's Ministry of Finance, formed working teams which undertake tasks connected with the preparation. The establishment of the Central Depository will be based on the new Capital Markets Undertaking Act, including the relevant transitional provisions. The new company's main target is to combine the activities of the SC, particularly the registration of securities, with Univyc's activities – especially the settlement of trades. The establishment of the Central Depository should thus help decrease the costs of the registration-settlement cycle and increase the efficiency of both companies. The experience of the neighbouring countries, which enter the EU together with the Czech Republic and already have Central Depositories, is being used in the preparation of the Central Depository.

The Central Depository will be based on the "participation principle" and will mainly ensure the general registration securities, book-entered and certificated ones, registration of securities in accounts, registration of client accounts and their owners, settlement of trades in securities, administration of file data and the custody (safekeeping) and administration of certificated securities.

In 2003, Univyc's activities were managed by the Board of Directors consisting of three members: Pavel Hollmann, MBA (Chairman), Helena Čacká (Vice-Chairwoman) and Tomáš Ševčík. The Supervisory Board had the following members: Věslav Michalík (Chairman), Petra Wendelová and Jan Struž.

# The PSE's Activities in 2003

## Information and Trading System

In 2003, the IT Department focused especially on the upgrade of the technological and communications infrastructure of the Exchange and Univyc and on activities associated with the preparation of the Central Depository.

In the field of technology, foremost attention was paid to the implementation of the project of upgrading the IBM iSeries key computer systems for trading and settlement purposes, active network components, the technical infrastructure of the Exchange's Internet connection and the connection of the central workstation and the back-up workstation. Extensive SW projects provided for the new, safer connection of issuers to the Exchange's system, an electronic order acceptance system, web applications for the real-time distribution of commercial information, a new, safer method of communication with the Czech National Bank's Clearing Centre, SW development for inspection activities and many other smaller applications and partial modifications. Analytical and SW operations associated with the preparation of the Central Depository played a very important role during the whole year.



Miroslav Prokeš  
Director of the IT Department

The conversion to the new IBM iSeries computer systems, which ensures a substantial portion of the trading and settlement system, was carried out in full operation at the beginning of the year, without any trading interruptions. During the process of conversion to the new computers the trading and settlement activities were transferred to a back-up system for several weeks. This whole process also verified and confirmed that the seamless conversion to the back-up system

and back to the primary system at the end of the session is a standard process.

The upgrade of the Exchange's communications system was a very important project in 2003. The main goal of the upgrade operations was to replace the obsolete active components and the security enhancement of the existing back-up connection of branches and the existing communications infrastructure. The network overhaul was carried out in several stages, again

while maintaining full operation, and was concluded in January 2004.

The accessibility of the connection between the primary workstation and the back-up workstation was increased by doubling the connection using independent channels and telecommunication service providers.

The fundamental goal of the project of upgrading the secure Internet connection was the additional increase in the security level, achieved through the implementation of the new SW firewall version, the introduction of integrity checks for mission-critical servers and redundancy of individual key components, with a view to reducing the connection shutdown period in case of serious HW and SW failures as much as possible. The whole conversion to the new technology did not limit the Exchange's operation in any way.

The obsolete equipment was replaced last; this replacement primarily involved computers, notebooks and monitors, which were replaced with LCD panels.

The development of the internal information sharing and Exchange support system (e-mail, directories and other database applications) continued, with a view to increasing the efficiency of administration and the availability of information provided electronically. Important new processes and operations – contracts and regulations – were incorporated into the system

and were filled with authentic documents. The system was also used as a SW platform for the deployment of a new electronic order-acceptance system, which the Exchange has to operate for the purposes of electronic communication with the parties to administrative proceedings under the law. The user identification application uses authorized personal certificates.

The upgrade of the back-up workstation's Internet connection involved an increase in the capacity and security, effected by means of a digital connection, and the installation of a security system, including a firewall. A back-up web server was installed in the Internet provider's office as a safeguard against critical failures in the Exchange's systems; this back-up server will enable the fulfilment of the Exchange's statutory disclosure duties, even in a situation when the Exchange's main information systems are inaccessible.

The second phase of the project of Univyc's secure communication connection with the Czech National Bank's Clearing Centre was launched in 2003. The solutions based on electronic mail standards significantly enhance connection security and accessibility even in the case of failures in certain sections of the system, and enlarges the application options for mutual communication. Communication with the Czech National Bank is fully integrated in the settlement system. The project was set into practical operation in February 2004.

The development of inspection SW continued in 2003. Further controls focused on pinpointing cases of suspected breaches of obligations by an Exchange member were implemented. The controls are primarily aimed at cases of failure to provide a client with professional care.

The project of the new, secure issuer connection, which allows the issuers to fulfil their statutory obligations easily, was a fundamental project in the field of SW solutions. The solution, based on the Internet and state-of-the-art security technology, requires ordinary, commonly-available equipment on the issuer's side and secures immediate application access to the Exchange's servers.

The Exchange also prepared a real-time trading information presentation system using a web application. The solution was tested by an Exchange member, with a view to using the system as a suitable source of updated trading information for the member's clients.

Analytical and programming work continued within the framework of the preparation of the new Central Depository System during the whole 2003. Programming operations were primarily targeted at an increased functionality of the securities settlement and securities registration. Work is continuing in 2004 in accordance with the requirements of the Capital Markets Undertaking Act.

# The PSE's Activities in 2003

## Inspection Work

The Exchange's inspection activities are a necessary condition for securing the compliance of the conduct of the market participants – Exchange members – within the legal framework of the capital market. The protection of investors' interests and the compliance with fair, equitable and equal conditions for all market participants are their priorities. In 2003, the inspections were mainly directed at detecting the cases of breaching the principles of conduct with clients, breaching transparency regulations and violating the trading rules. Great emphasis was put on the timely identification of defects and their immediate removal, especially in the case of breaches whose harmful consequences could grow more severe over time. Inspection software, the key trade monitoring tool, was greatly improved during the year. New functions focused on trading security and transparency were implemented and the programming of monitoring functions directed at observing the principles of conduct with clients was finished.

The results of inspection activities clearly show that, in spite of the ever-improving software support and the associated detailed monitoring of the Exchange members' business activities, the number of individual findings does not significantly grow. This demonstrates the increased attention that the Exchange members pay to the fulfilment of all principles and obligations associated with trading at the PSE, which in turn mirrors in the overall stabilisation of the capital market.



Vladimír Skalný  
Director of Inspection Department

Analytical trade monitoring, using daily analysis of the data in the Exchange's trading system, is one of the main pillars of inspection activities. About 5,000 trading cases were monitored during the period in question; 400 of them were tested through operational inspections and about 600 through written or phone enquiries. The importance of enquiry as a means of investigating the selected trading transactions and the immediate enforcement of rectification therefore continued to grow in 2003.

11 detailed and 9 repeated inspections were launched in 2003. A special emphasis was put on the inspection of fulfilment of all requirements on business documentation and its maintenance, the handling of clients' funds, the fulfilment of the conditions of Exchange membership and compliance with the rules of conduct with clients, i.e. areas that cannot be fully verified through analytical monitoring. 20 administrative proceedings were initiated on sanctions against Exchange members, and 19 sanctions were imposed on 11 members (some members were sanctioned several times), of which 5 were reprimands and 14 fines in the total amount of CZK 800,000. The main reasons for the sanctions were shortcomings in business documentation and in observation of the Trading Rules and the Exchange Membership Regulations.

In the field of inspection software development, the Exchange focused on the analysis, programming and testing of new functions for the monitoring of deviations in open positions

of Exchange members from the mean value for the selected period and on the evaluation of professional care (best price rule, time priority of instructions, preference of own accounts etc.). The impact of the controls of the inspection software was evident in the distinct reduction in the frequency of violation of the Exchange Regulations. The software controls resulted in an improvement in the Exchange members' conduct and in higher transparency of the market. In addition, cases of breach of professional care are detected more easily now.

The focus of analytical Exchange trade monitoring and individual inspection types deepens with the gradually improving control tools and information sources. As their next target, inspections will aim to further increase the efficiency of the monitoring of compliance with professional care in relation to the clients, and to monitor market transparency. The further strengthening of the importance of operational investigations using questionnaires as a full-value inspection form is expected.

### Membership

The Exchange opened 2003 with 29 members. On 31 December 2003, it had 28 members, of which three did not trade (Czech National Bank, Czech Consolidation Agency and Ministry of Finance of the Czech Republic). Two companies decided to end their PSE membership during the year. One company, the Exchange's shareholder, renewed its membership.

### CHANGES IN 2003:

#### March 13

Change of name of Baader Securities, a.s. to PPF Asset Management, a.s.

#### May 21

End of the PSE's membership of Union banka, a.s.

#### June 25

Transfer of activities on the capital market in the Czech Republic from CA IB Securities, a.s. to HVB Bank Czech Republic, a.s.

#### June

Renewal of the PSE's membership of HVB Bank Czech Republic, a.s.

#### July 29

Termination of the PSE's membership of CA IB Securities, a.s.

# The PSE's Activities in 2003

## Information and PR Policy

The Exchange continued in the promotion of its position as the dominant organizer of the public securities market in the Czech Republic. To increase market transparency, the Exchange co-operated with the Czech Securities Commission on the education and publicity campaign, targeted primarily at small and medium-size investors; this project also involved co-operation with universities. Regular contacts with journalists contributed to the positive representation of the Exchange in the media. The preparation of the Central Depository project, the long-term growth of the share market and the support of measures aimed at improving the situation on the capital market were the main media presentation topics. At the same time, interest in the distribution of Exchange information grew, which continuously created good conditions for an increase in revenues in this field.



Vladimír Ezr

Deputy General Secretary and Director of the Service Department

### Provision of information

In 2003, the Exchange continued in its information policy, putting emphasis on electronic media. The Exchange continuously published information on trading, the admission and withdrawal of securities, statistics and other announcements in the form of news, accessible to investors on the PSE web pages. A new, revamped web site was introduced to the public in February 2003. The pages, while maintaining the previous design, were higher resolution,

which was a key benefit for the users. The new dropdown menu allows for a faster access to any part of the site. An Exchange ticker, which is shown on each web page and provides information on the progress of trading in SPAD, was also added. The structure of the pages was also enhanced by creating two separate sections – Indices and Statistics. This innovation was followed by additional modifications, implemented at the beginning of 2004. The main goal of the adjustments was to add EUR and USD

translations to the statistical information because of the Czech Republic's accession to the European Union, to adjust the web pages to the most frequent display resolutions used by 17" and 19" monitors, and to create a three-column homepage, a new News form and a currency calculator.

As for the delivery of Exchange information, a new real-time Exchange information provider was added by the Exchange members. The slight reduction in the number of end users did not show in the Exchange's revenues from the provided information; on the contrary, the total revenues were higher than the projections in the 2003 budget.

### Foreign relations

Many bilateral contacts with stock exchanges in Central Europe, especially in Bratislava, Budapest and Vienna, were made over the course of the year. Consultations mostly involved the issues of potential co-operation of individual markets. Foreign co-operation with other exchanges was primarily motivated by the desire to obtain information on the growing globalisation tendencies on Europe's capital markets and on the attitudes of individual stock exchanges to this process. The Exchange took an active part in the activities of the expert groups of the Federation of European Securities Exchanges (FESE) and especially observed the development in the so-called Lamfalussy process, aimed at pushing for the higher transparency of the

European capital market and the protection of investors, including corporate governance issues. Attention was also paid to discussing the drafts of new European directives for capital and financial markets. Regional co-operation on the publication of the Central European Stock Index (CESI) also continued.

### Personnel policy

The Exchange's employment situation was fully stabilised in 2003. There were no changes in top executive positions. During 2003 the Exchange's workforce was cut by three employees, who left the Exchange for reasons of retirement, performance of a public office and on the basis of a mutual agreement, respectively. At the end of the year, the Exchange had 50 employees, two employees on maternity leave and one employee performing a public office.

In the field of employee care, the Exchange continued to provide language courses to its employees and to promote the improvement of its staff's professional skills and expertise, especially their participation in local courses and seminars on information technology, accounting and law. The Exchange also contributed to the individual health care of its employees in the Na Homolce hospital and arranged preventive health checks for all of its employees at the end of the year. The programme of sporting activities for the employees and the pension and supplementary life insurance schemes also continued with the employer's financial support.

# The PSE's Activities in 2003

## Performance and Results

From an economic standpoint, 2003 was one of the most successful years in the PSE's recent history. The company's profit before tax totalled CZK 47.302 million. This positive result was substantially influenced by the realisation of the PSE's strategic objective - the sale of the Exchange Palace - in which the Exchange owned one third. Since the end of 2003, the PSE thus has had a new position - as a full tenant of the Exchange Palace, whose operational economy is newly determined by the lease contract. The Exchange acquired available financial resources from the sale of the Exchange Palace which will help it to realise business objectives aimed at the best possible appreciation of the PSE's existing potential as the main securities market organizer on the Czech capital market. The PSE's current economic situation means it will compare favourably with competitors in the European Union.



Petr Horáček

Director of Finance and Administration Department

### THE COMPANY'S FINANCIAL SITUATION AND PROSPERITY IS SHOWN BY THE FOLLOWING INDICATORS

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
<b>Return ratios</b>									
Return on total assets	<b>0.10</b>	X	0.041	0.058	0.019	0.023	X	0.017	0.009
Return on equity	<b>0.11</b>	X	0.046	0.073	0.025	0.034	X	0.027	0.015
Return on registered capital	<b>0.11</b>	X	0.058	0.088	0.029	0.038	X	0.031	0.017
Return on liabilities	<b>0.10</b>	X	0.523	0.303	0.075	0.078	X	0.048	0.022
<b>Financial stability indicators</b>									
Financial independence	<b>0.884</b>	0.886	0.896	0.796	0.741	0.685	0.623	0.636	0.591
Long-term loans	<b>0.920</b>	0.886	0.920	0.885	0.922	0.950	0.939	0.997	0.914
Interest coverage	<b>X</b>	X	7.85	4.98	1.70	1.47	X	1.55	1.29
Insolvency	<b>0</b>	0	0	0	0	0	0	0	0
Total liquidity	<b>16.22</b>	8.32	7.02	3.35	3.73	5.39	2.75	2.63	1.83
Total debt	<b>0.06</b>	0.05	0.03	0.15	0.21	0.27	0.36	0.34	0.39
Increase, or decrease in short-term financial assets	<b>11,521</b>	42,799	3,854	19,630	24,517	-13,427	-15,367	2,837	9,804

Return ratios for 2002 are not included because a loss - caused by the creation of a provision for assets (the Exchange Palace building) - was recorded in the accounts.

## STRUCTURE OF ASSETS AND FINANCIAL RESOURCES (%)

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
<b>Assets</b>	<b>100.00</b>	100.00	100.00	100.00	100.00	100.00
Fixed assets	<b>7.88</b>	60.34	79.31	80.33	84.60	90.06
of this: tangible and intangible assets	<b>6.14</b>	60.31	78.44	78.73	82.34	88.34
financial investments	<b>0.79</b>	0.03	0.02	0.02	0.02	0.36
long-term receivables	<b>0.95</b>	0.00	0.85	1.58	2.24	1.36
Short-term receivables	<b>56.45</b>	5.82	3.93	5.35	5.16	4.35
of this: trade receivables	<b>54.51</b>	5.82	3.93	4.62	4.86	3.77
other receivables	<b>1.94</b>	0.00	0.00	0.73	0.30	0.58
Financial assets	<b>34.4</b>	32.41	15.61	13.81	9.77	5.29
Temporary accounts	<b>1.27</b>	1.43	1.15	0.51	0.47	0.30
<b>Liabilities</b>	<b>100.00</b>	100.00	100.00	100.00	100.00	100.00
Long-term liabilities	<b>88.37</b>	88.62	89.64	88.43	90.90	94.23
of this: own resources	<b>88.37</b>	88.62	89.64	79.58	74.11	68.51
bank loans and assistance	<b>0.00</b>	0.00	0.00	8.85	16.79	25.39
long-term liabilities	<b>0.00</b>	0.00	0.00	0.00	0.00	0.33
Short-term liabilities	<b>5.66</b>	4.60	5.45	8.53	6.72	3.69
Reserves	<b>3.66</b>	4.73	2.37	1.70	1.25	0.78
Temporary accounts	<b>2.31</b>	2.05	2.54	1.34	1.13	1.30

## Financial results

Income from the Exchange's activities was sufficient to cover the Company's operating and investment needs, and so it was not necessary to apply for a loan during the year.

The Company's profit before tax for 2003 totalled CZK 47,302,000. Compared with the projection for the same period, the result is higher by CZK 42,118,000. It was favourably influenced by the sale of the Exchange Palace for a price higher than the price estimate stated in the appraisal.

**A tax duty of CZK 12,775,000 results from the Company's profit. The deferred income tax which was calculated from all temporary differences between tax and accounting values in 2003 means, that the Company will be liable to pay a deferred tax of CZK 3,740, 000. The Company's after-tax profit for the year totalled CZK 38,207,000.**

Receipts and revenues in 2003 were particularly influenced by the sale of the Exchange Palace for CZK 209,100,000. Compared with previous years, the receipts from Exchange fees which

account for 80% of the Company's income, without the revenue from the sale of the building, are continually dropping.

The Company's costs – reduced by the costs related to the sale of the building – have a declining trend. This development does neither influence the quality, nor the extent of provided services which are – on the contrary – technically and technologically improved.

## TRENDS IN TRADING RESULTS (IN CZK THOUSAND)

Indicator	Budget	Actual state	Actual state	Actual state	Actual state	Actual state	Actual state
	<u>2003</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
<b>Profit/loss before tax</b>	<b>5,184</b>	<b>47,302</b>	<b>-120,958</b>	<b>33,548</b>	<b>49,607</b>	<b>19,617</b>	<b>18,265</b>
– from operating activities	2,834	44,226	-123,605	33,582	54,778	32,968	47,922
– from financial activities	2,350	3,076	1,156	-384	-5,244	-13,057	-32,337
– from extraordinary activities	0	0	1,491	350	73	-294	2,680
<b>Income tax</b>	<b>4,256</b>	<b>9,095</b>	<b>2,607</b>	<b>12,307</b>	<b>17,238</b>	<b>8,669</b>	<b>3,969</b>
– due	2,697	12,835	15,816	12,215	16,612	6,524	2,543
– deferred	1,559	-3,740	-13,209	92	626	2,147	1,426
<b>Profit (loss) after tax</b>	<b>928</b>	<b>38,207</b>	<b>-123,565</b>	<b>21,241</b>	<b>32,369</b>	<b>10,946</b>	<b>14,296</b>

# Exchange Bodies

## The Exchange Chamber

The Exchange Chamber is the PSE's statutory body which directs its work and acts in its name. As required by its plan of activity, the Exchange Chamber met at twelve meetings in 2003.

## COMPOSITION OF THE EXCHANGE CHAMBER AS AT 31 DECEMBER 2003

### Chairman

Dušan Baran – shareholder representative  
Česká spořitelna, a.s.  
Date of birth: 6 April 1965  
Education: Faculty of Mathematics and Physics, Charles University, GSBC University of Colorado  
Current post: Vice-Chairman of the Board of Directors and Financial Director

### Vice-Chairmen

Jan Blaško – shareholder representative  
Česká pojišťovna, a.s.  
Date of birth: 19 August 1964  
Education: Graduate School of Business, The University of Chicago  
Current post: Vice-Chairman of the Board of Directors, Deputy Managing Director for Investment Policy

Michael Jasanský – shareholder representative  
Patria Finance, a.s.  
Date of birth: 19 January 1967  
Education: Charles University, Czech Technical University  
Current post: Chief Executive Officer

### Members

Pavel Hollmann  
Prague Stock Exchange  
Date of birth: 27 April 1948  
Education: Czech Technical University, MBA, PIBS Praha  
Current post: General Secretary

Peter Palečka – shareholder representative  
Komerční banka, a.s.  
Date of birth: 3 November 1959  
Education: University of Economics, Bratislava  
Current post: member of the Board of Directors and Deputy Managing Director

Jan Sýkora – shareholder representative  
WOOD & Company Financial Services, a.s.  
Date of birth: 18 January 1972  
Education: University of Economics, Rochester Institute of Technology  
Current post: Chairman of the Board of Directors and Managing Director

Tomáš Zralý – shareholder representative (member from 29 May 2003)  
Živnostenská banka, a.s.  
Date of birth: 15 July 1951  
Education: University of Economics  
Current post: member of the Board of Directors and Deputy Managing Director

## MEMBERSHIP OF THE EXCHANGE CHAMBER TERMINATED IN 2003

Petr Bodnár – shareholder representative  
BODY INTERNATIONAL BROKERS, a.s.  
At 28 February 2003 resigned from the Exchange Chamber.

Tomáš Ševčík – shareholder representative  
Harvardská burzovní společnost, a.s.  
At 28 May 2003 resigned from the Exchange Chamber.

## CHANGES IN THE EXCHANGE CHAMBER IN THE PERIOD JANUARY – MAY 2004

### at 29 February 2004

Dušan Baran resigned from the post of Chairman of the Exchange Chamber and from the Exchange Chamber membership.

### at 24 March 2004

Daniel Heler, member of the Board of Directors and Deputy Managing Director of Česká spořitelna, a.s. co-opted to the Exchange Chamber.

### at 19 May 2004

Pavel Hollmann resigned from the Exchange Chamber.

## Supervisory Board

The Supervisory Board has six members elected for three years. The Board supervises the performance of the Exchange Chamber and the Exchange's activities.

### COMPOSITION OF THE SUPERVISORY BOARD AS AT 31 DECEMBER 2003

#### Chairman

Věslav Michalík – shareholder representative  
HVB Bank Czech Republik, a.s.

Date of birth: 1 March 1963

Education: Czech Technical University, Faculty of Nuclear Physics

Current post: member of the Board of Directors

#### Members

Martin Aschenbrenner

Procházka Randl Kubr & Patrneř

Date of birth: 8 May 1973

Education: Law Faculty of the Charles University, Harvard Law School, Cambridge

Current post: attorney

Jiří Klumpar

GE Capital Bank, a.s.

Date of birth: 9 May 1956

Education: Czech Technical University, Faculty of Nuclear Physics

Current post: member of the Board of Directors and Senior Director of the Compliance Division

Jan Struž

Financial and economic consultant

Date of birth: 5 May 1949

Education: University of Economics

Tomas Spurny

(member from 28 November 2003)

Všeobecná úverová banka, a.s.

Date of birth: 16 April 1965

Education: New York University, Columbia University

Current post: Chairman of the Board of Directors

Petra Wendelová

ERNST & YOUNG Česká republika, k.s.

Date of birth: 3 June 1962

Education: University of Economics

Current post: Corporate Finance Partner

### MEMBERSHIP OF THE SUPERVISORY BOARD TERMINATED IN 2003

Miroslav Fučík – shareholder representative

Union banka, a.s.

At 25 June 2003 resigned from the Supervisory Board.

### CHANGES IN THE SUPERVISORY BOARD IN THE PERIOD JANUARY – MAY 2004

#### at 31 March 2004

Tomas Spurný resigned from the Supervisory Board.

#### at 21 April 2004

Roman Klaban, member of the Board of Directors and Senior Director of Všeobecná úverová banka, a.s. was co-opted as a new member to the Supervisory Board.

### General Secretary

Pavel Hollmann

As at 31 May 2004, he ended his activities on the PSE.

# Exchange Bodies

## Exchange Committees

### THE EXCHANGE MEMBERSHIP COMMITTEE

#### Chairman

Jan Blaško, PPF burzovní společnost, a.s.  
(until 19 November 2003)

Peter Palečka, Komerční banka, a.s.  
(from 21 January 2004)

#### Vice-Chairman

Petr Valenta, Česká spořitelna, a.s.

#### Secretary

Josef Marek, Prague Stock Exchange

The Exchange Membership Committee met twelve times in 2003. It concentrated especially on fostering the transparency of the market and increasing the protection of investors.

In 2003, the number of serious breaches of the Exchange Regulations substantially decreased. The Committee therefore paid attention especially to cases which required broader assessment. In doing so, Committee members made use of their knowledge of business practice as well as their experience with the practical application of the generally binding legal standards and the Exchange Regulations.

The Committee discussed breaches of the Exchange Regulations and proposed the opening of 20 administrative proceedings. It provided the

evidence and drafted rulings. In one case, the participant appealed against the Exchange Chamber's ruling on the imposition of a sanction for the breach of Exchange Regulations. However, in the appellate proceedings, the Securities Commission confirmed the Exchange Chamber's ruling on the imposition of a sanction for the breach of Exchange Regulations.

The Committee paid very high attention to measures taken to remove the deficiencies found. Based on information provided in connection with the members' disclosure duty, it also regularly evaluated their economic stability. The Committee also discussed changes in the Exchange's membership and shareholder structure. The income level of members has particularly influenced the stabilization of the membership base. The Committee noted the withdrawal of two companies from the Exchange and resumption of trading of one PSE shareholder.

The Committee discussed and proposed the approval of three transfers of the PSE shares. At 31 December 2003, the Exchange had 48 shareholders. Patria Finance, a.s. was the PSE's largest shareholder holding more than 17.12% of its registered capital. A total of 13.76% of the PSE's shares changed owner during the year.

At 19 November 2003, Jan Blaško resigned from the Committee and from the post of the Chairman. W.e.f. 21 January 2004, the Exchange Chamber appointed Peter Palečka to the post of Chairman of the Exchange Membership Committee.

### THE EXCHANGE LISTING COMMITTEE

#### Chairman

Pavel Hollmann, Prague Stock Exchange

#### Vice-Chairman

Pavel Makovec, Kerford Investments, s.r.o.

#### Secretary

Eva Štrupová, Prague Stock Exchange

The Exchange Listing Committee met regularly once a month with the exception of July and August.

At the beginning of 2003, the Exchange Listing Committee discussed an amendment to the Exchange Regulations, in the Requirements for the Admission of a Security to Trading section. The changes in rules concerned particularly trading in foreign securities. The amendment allowed foreign issuers to fulfil their information disclosure duties differently but with the same deadline for the Prague Stock Exchange and abroad. The issue of language in submitted information was also tackled. Foreign issuers can now fill in their information disclosure duty partially in English, however – in certain cases – translation into Czech is required. "Price-sensitive" information must always be provided in Czech by the issuer. The amended Exchange Regulations were submitted to the Exchange Chamber which approved them at its January meeting.

Members of the Committee closely co-operated

with the Securities Commission in preparing standard contents of an annual report of autonomous territorial units; they became obligatory for all municipalities and were published by the Securities Commission.

The Committee further discussed and approved applications for admission of securities to trading. Four tranches of share issues and seven bond issues were admitted to the PSE's Free Market. The Committee admitted three bond issues and three share issues to the prestigious Secondary Market and one tranche of share issue to the Main Market. In compliance with the Exchange Regulations, the prospectus and terms of issue for four bond programmes were approved.

The Committee continued its thorough monitoring of fulfilment of the disclosure duties by issuers admitted to trading on the Main and Secondary markets and monitored observance of the information duties as required by the Securities Act also by companies registered on the Free Market. Sanctions for the breach of Exchange rules were imposed on two companies.

At the end of the year, the Committee was preparing another amendment to the part Requirements for Admission of a Security to Trading of the Exchange Regulations. This amendment, which came into effect on 1 January 2004, facilitated communication between the Exchange administration and

members of the Exchange Listing Committee. The amendment allowed the sending of relevant materials electronically. The admission procedure was also simplified in terms of the required enclosures to application for admission and certain changes were made in the terminology with respect to IFRS. The Committee also approved the new text of verification of the prospectus in case of an application for admission to the Main and Secondary markets when the listing agent and the issuer is one person.

#### **THE EXCHANGE TRADES COMMITTEE**

##### **Chairman**

Jan Sýkora, WOOD & Company Financial Services, a.s.

##### **Vice-Chairman and Secretary**

Jiří Opletal, Prague Stock Exchange

The Committee met whenever needed. It was neither necessary to substantially adapt and amend Exchange rules nor to change the trading parameters because no major problems accompanied it and no new decrees and laws came into effect. During the year, the Committee's activities therefore focused on the adaptation of the trading parameters for issues included in SPAD trading based on voting "per rollam" during the year. The Committee also proposed the schedule of trading sessions and recommended adjustment in the fees for Exchange trades to the Exchange Chamber.

#### **The Exchange Arbitration Court**

The Exchange Arbitration Court (hereinafter EAC) at the Prague Stock Exchange is a standing arbitration court acting as an independent body which can also decide on disputes arising in connection with other trades in investment instruments, disputes over trades on the capital market, financial market, insurance market and contributory pension insurance market. The disputes are judged by independent arbitrators in compliance with arbitration procedure regulations (Act No. 216/1994 Coll., on arbitration procedure and on the execution of arbitration rulings). In its decision-making and organisational activities, the EAC is fully independent. It is composed of the EAC Council, persons entered in the List of Arbitrators and the EAC Secretary.

#### **EAC COUNCIL**

##### **Chairman**

Václav Školout

##### **Vice-Chairmen**

Vladana Vališová

Karel Muzikář

##### **Members**

Milan Bakeš

Vít Horáček

Josef Měchurka

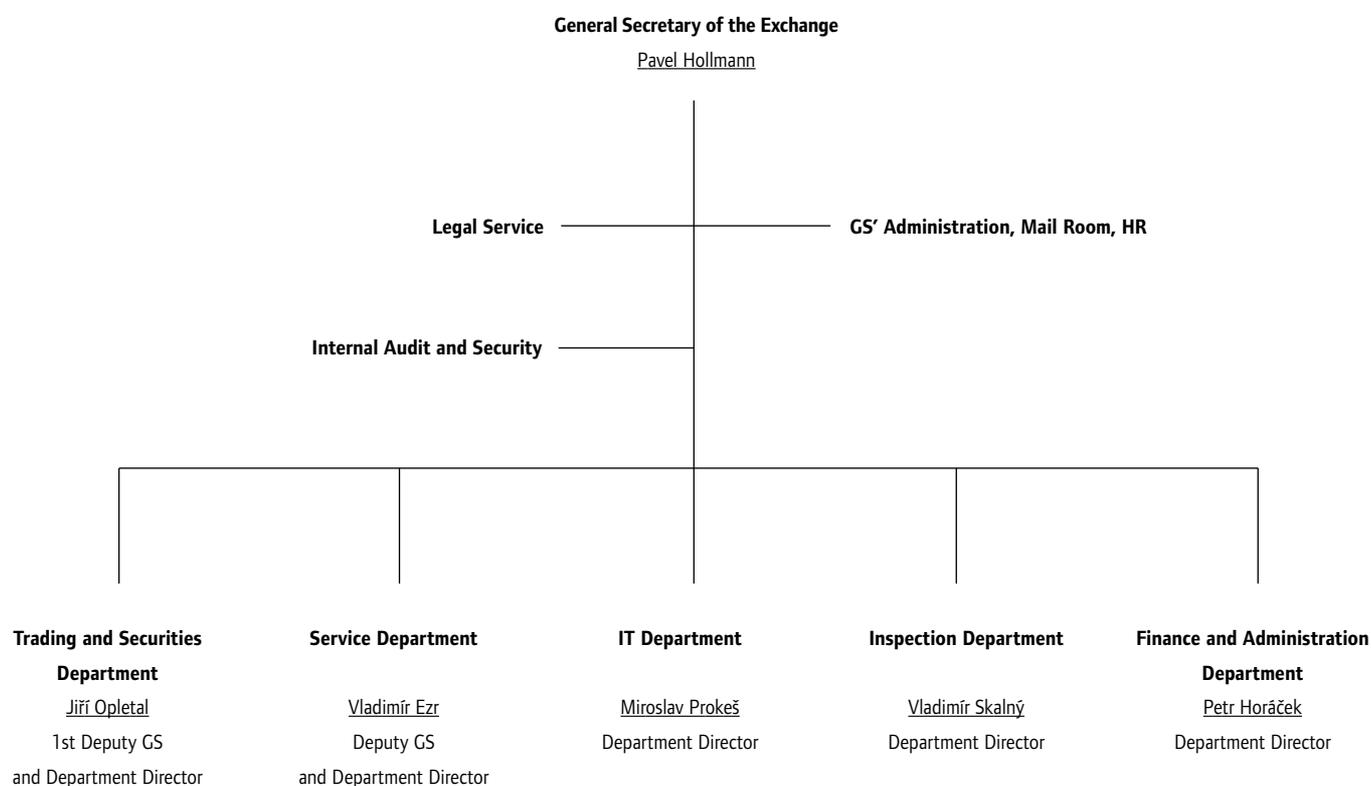
Jaroslav Vansa

# PSE Shareholders and Members

## THE PRAGUE STOCK EXCHANGE'S SHAREHOLDERS AS AT 31 DECEMBER 2003

Shareholder	No. of shares	Percentage of the PSE registered capital	Shareholder	No. of shares	Percentage of the PSE registered capital
AB Banka, a.s. v likvidaci *)	4,500	1.169	Komerční banka, a.s.	30,429	7.905
ATLANTA SAFE, a.s. *)	3,000	0.779	KOMERIO, brokerský dům Konečný, a.s. v likvidaci*)	50	0.013
ATLANTIK finanční trhy, a.s.	2,996	0.778	KOMERO s.r.o. *) **)		
BBG Finance a.s. *)	100	0.026	MERX, a.s. *)	20	0.005
BH Securities a.s.	3,849	1.000	Moravia Banka, a.s. v likvidaci *)	500	0.130
BODY INTERNATIONAL BROKERS a.s.	28,607	7.431	OESTERREICHER & spol., s.r.o. *)	1,000	0.260
Brněnská obchodní, a.s. v likvidaci *) **)			Patria Finance, a.s.	65,901	17.119
C.S. Brokers burzovní, a.s. *)	120	0.031	PPF burzovní společnost a.s.	2,500	0.649
CA IB Securities, a.s. *)	4,612	1.198	PROCON INTERNATIONAL s.r.o. *)	1,000	0.260
Citibank a.s. *)	1,000	0.260	Satj, a.s.	100	0.026
Credit Suisse Asset Management investiční společnost, a.s. *)	2,997	0.779	SOCIETE GÉNÉRALE, Prague branch *)	100	0.026
CYRRUS, a.s.	1,000	0.260	Stock Investment, a.s. *)	500	0.130
Česká konsolidační agentura	4,500	1.169	Union banka, a.s. v likvidaci *)	15,000	3.897
Česká pojišťovna a.s. *)	20,000	5.196	Všeobecná úverová banka, a.s., *)	22,154	5.755
Česká spořitelna, a.s.	34,408	8.938	Wood & Company Financial Services, a.s.	1,000	0.260
Československá obchodní banka, a.s.	1,000	0.260	Živnostenská banka, a.s.	14,355	3.729
ČP INVEST investiční společnost, a.s. *)	2,000	0.520			
DISISOFT, a.s. *)	100	0.026	*) The company is not a PSE member.		
DPFR, a.s. *)	50	0.013	***) The company did not agree to publish its share in the PSE registered capital.		
EASTBROKERS, akciová společnost v likvidaci *)	1,166	0.303			
eBanka, a.s. *)	7,640	1.985	<b>OTHER MEMBERS OF THE PRAGUE STOCK EXCHANGE AS AT 31 DECEMBER 2003</b>		
FIO, burzovní společnost, a.s.	100	0.026	ABN AMRO Bank N.V., Prague branch		
GARFIELD a.s. *)	10	0.003	CAPITAL PARTNERS a.s.		
GE Capital Bank, a.s. *)	17,388	4.517	ČESKÁ NÁRODNÍ BANKA		
GES INVEST, a.s., *)	1,000	0.260	Českomoravská záruční a rozvojová banka, a.s.		
Global Brokers, a.s.	1,500	0.390	DEUTSCHE BANK Aktiengesellschaft Filiale Prag, organisational unit		
HVB Bank Czech Republik a.s.	3,000	0.779	EPIC Securities, a.s.		
ICEBERG A.S. *)	40	0.010	J & T SECURITIES (CZECH REPUBLIC), a.s.		
imAGe GROUP, a.s. *)	1,000	0.260	Ministerstvo financí České republiky (Ministry of Finance of the Czech Republic)		
ING Bank N.V., organisational unit	3,000	0.779	PPF Asset Management a.s.		
Interbanka, akciová společnost	6,400	1.663	Raiffeisenbank a.s.		
INVESTKONZULT, a.s. *)	1,000	0.260			

# The Company's Structure as at 31 December 2003



# Report of the Supervisory Board

During 2003, the Supervisory Board met at 12 meetings. In 2004, up to the date of the General Meeting held on 24 June 2004, six Supervisory Board meetings - attended by Board members approved by the 9th ordinary General Meeting of Shareholders held on 31 May 2001 - took place. The Supervisory Board performed its supervisory function in accordance with the appropriate legal regulations and the PSE's Articles of Association.

At its meetings, the Supervisory Board continually discussed decisions prepared and adopted by the Exchange Chamber. It paid great attention to the Exchange's strategy, especially to the preparation of the Central Depository, sale of the Exchange Palace and also to personnel issues of the Prague Stock Exchange. In performing its activities, the Supervisory Board consistently observed the interests of shareholders.

At its meeting on 19 May 2004, the Supervisory Board discussed the Report on the Exchange's Business Activities and the State of its Assets for 2003. It had no comments on the submitted Report and, therefore, recommends the General Meeting to approve it.

In line with Article 33 of the PSE's Articles of Association, the Supervisory Board reviewed the audited financial statements for 2003 and familiarised itself with the Auditor's Report. The Supervisory Board agrees with the PSE's financial statements and with the submitted proposal for the distribution of the 2003 profit and recommends the General Meeting of Shareholders to approve the financial statements for the year and the Exchange Chamber's proposal for the distribution of the 2003 profit in compliance with the above stated facts.



Věslav Michalík  
Chairman of the Supervisory Board

Prague, 3 June 2004

# Auditor's Report on the Annual Report

**Deloitte.**

Deloitte & Touche spol. s r. o.  
Týn 641/4  
110 00 Prague 1  
Czech Republic

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DeloitteCZ@deloitteCE.com  
www.deloitteCE.com

## Auditor's Report to the Shareholders of Burza cenných papírů Praha, a.s.

We have audited the below noted financial statements of Burza cenných papírů Praha, a.s. for the year ended 31 December 2003 on which we issued our audit reports containing unqualified opinions as follows:

- Unconsolidated financial statements prepared in accordance with the Accounting Act 563/1991 Coll., and applicable Czech regulations, which are included in this annual report on pages 37 to 53; and
- Consolidated financial statements prepared in accordance with International Financial Reporting Standards which are included in this annual report on pages 55 to 66.

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

In Prague on 30 June 2004



Audit firm:  
Deloitte & Touche spol. s r.o.  
Certificate no. 79  
Represented by:

Statutory auditor:  
Michal Petrman  
Certificate no. 1105



Michal Petrman, statutory executive



# Auditor's Report

**Deloitte.**

Deloitte & Touche spol. s r. o.  
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Registered at the Municipal Court  
in Prague, Section C, File 24349  
IČ: 49620593  
DIČ: CZ49620592

## Auditor's Report to the Shareholders of Burza cenných papírů Praha, a.s.

We have audited the accompanying financial statements of Burza cenných papírů Praha, a.s. for the year ended 31 December 2003. These financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on the financial statements, taken as a whole, based on our audit.

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

In our opinion, the financial statements give a true and fair view, in all material respects, of the assets, liabilities, equity and financial position of Burza cenných papírů Praha, a.s. as of 31 December 2003 and of the results of its operations for the year then ended in accordance with the Accounting Act and applicable Czech regulations.

Prague, 1 April 2004

*Deloitte & Touche*

*Michal Petrman*

Audit firm:  
Deloitte & Touche spol. s r. o.  
Certificate no. 79  
Represented by:  
Michal Petrman, statutory executive

Statutory auditor:  
Michal Petrman  
Certificate no. 1105

# Financials

## PROFIT&LOSS STATEMENT STRUCTURED BY THE NATURE YEAR ENDED 31. 12. 2003 (IN CZK THOUSAND)

	period to 31. 12. 2003	period to 31. 12. 2002	period to 31. 12. 2001
<b>II. Production</b>	<b>143,894</b>	<b>181,014</b>	<b>189,133</b>
1. Sales of own products and services	143,894	181,014	189,133
<b>B. Purchased consumables and services</b>	<b>43,373</b>	<b>50,024</b>	<b>56,054</b>
1. Consumed material and energy	878	1,095	1,479
2. Services	42,495	48,929	54,575
<b>+ Added value</b>	<b>100,521</b>	<b>130,990</b>	<b>133,079</b>
<b>C. Staff costs</b>	<b>55,842</b>	<b>53,233</b>	<b>59,325</b>
1. Payroll costs	37,636	35,564	38,550
2. Remuneration to members of statutory bodies	2,191	2,594	4,205
3. Social security and health insurance costs	13,137	12,340	13,382
4. Social costs	2,878	2,735	3,188
<b>D. Taxes and charges</b>	<b>127</b>	<b>270</b>	<b>234</b>
<b>E. Depreciation of intangible and tangible fixed assets</b>	<b>20,597</b>	<b>26,209</b>	<b>36,599</b>
<b>III. Sales of fixed assets and material</b>	<b>209,107</b>	<b>229</b>	<b>820</b>
1. Sales of fixed assets	209,107	229	820
<b>F. Net book value of fixed assets and material sold</b>	<b>365,709</b>	<b>83</b>	<b>4,054</b>
1. Net book value of sold fixed assets	365,709	83	4,054
<b>G. Change in reserves and provisions relating to operating activities and complex deferred expenses</b>	<b>-177,942</b>	<b>177,012</b>	<b>652</b>
<b>IV. Other operating income</b>	<b>2,586</b>	<b>2,739</b>	<b>1,656</b>
<b>H. Other operating expenses</b>	<b>3,655</b>	<b>756</b>	<b>1,109</b>
<b>* Operating profit or loss</b>	<b>44,226</b>	<b>-123,605</b>	<b>33,582</b>
<b>VIII. Income from current financial assets</b>	<b>344</b>	<b>405</b>	<b>212</b>
<b>X. Interest income</b>	<b>2,911</b>	<b>3,279</b>	<b>4,542</b>
<b>N. Interest expenses</b>			<b>3,099</b>
<b>XI. Other financial income</b>	<b>115</b>	<b>243</b>	<b>211</b>
<b>O. Other financial expenses</b>	<b>294</b>	<b>2,771</b>	<b>2,250</b>
<b>* Financial profit or loss</b>	<b>3,076</b>	<b>1,156</b>	<b>-384</b>
<b>Q. Income tax on ordinary activities</b>	<b>9,095</b>	<b>2,418</b>	<b>12,307</b>
1. – due	12,835	15,627	12,215
2. – deferred	-3,740	-13,209	92
<b>** Profit or loss from ordinary activities</b>	<b>38,207</b>	<b>-124,867</b>	<b>20,891</b>
<b>XIII. Extraordinary income</b>		<b>1,876</b>	<b>350</b>
<b>R. Extraordinary expenses</b>		<b>385</b>	
<b>S. Income tax on extraordinary activities</b>		<b>189</b>	
1. – due		189	
<b>* Extraordinary profit or loss</b>		<b>1,302</b>	<b>350</b>
<b>*** Profit or loss for the current period (+/-)</b>	<b>38,207</b>	<b>-123,565</b>	<b>21,241</b>
Control number	1,730,964	551,736	903,059

# Financials

## BALANCE SHEET FULL VERSION AS OF 31. 12. 2003 (IN CZK THOUSAND)

	31. 12. 2003		31. 12. 2002		31. 12. 2001
	Gross	Adjustment	Net	Net	Net
<b>TOTAL ASSETS</b>	<b>551,827</b>	<b>158,161</b>	<b>393,666</b>	<b>382,226</b>	<b>519,622</b>
<b>A. Receivables for subscribed capital</b>					
<b>B. Fixed assets</b>	<b>177,996</b>	<b>150,728</b>	<b>27,268</b>	<b>230,626</b>	<b>407,716</b>
<b>I. Intangible fixed assets</b>	<b>80,989</b>	<b>77,159</b>	<b>3,830</b>	<b>6,545</b>	<b>17,170</b>
3. Software	80,829	76,999	3,830	6,545	17,170
6. Other intangible fixed assets	160	160			
<b>II. Tangible fixed assets</b>	<b>93,907</b>	<b>73,569</b>	<b>20,338</b>	<b>223,981</b>	<b>390,446</b>
1. Land				71,856	71,856
2. Structures				123,732	304,017
3. Individual movable assets and sets of movable assets	93,907	73,569	20,338	12,996	14,167
7. Tangible fixed assets under construction				15,397	406
<b>III. Non-current financial assets</b>	<b>3,100</b>		<b>3,100</b>	<b>100</b>	<b>100</b>
1. Equity investments in subsidiaries	3,100		3,100	100	100
<b>C. Current assets</b>	<b>368,813</b>	<b>7,433</b>	<b>361,380</b>	<b>147,598</b>	<b>109,681</b>
<b>II. Long-term receivables</b>	<b>3,740</b>		<b>3,740</b>		<b>4,406</b>
1. Trade receivables					4,406
7. Deferred tax asset	3,740		3,740		
<b>III. Short-term receivables</b>	<b>229,663</b>	<b>7,433</b>	<b>222,230</b>	<b>23,709</b>	<b>24,185</b>
1. Trade receivables	222,010	7,433	214,577	17,550	15,522
5. Social security and health insurance contributions	6		6		
6. State – tax receivables	956		956		
7. Other prepayments made	4,513		4,513	4,702	4,886
8. Estimated receivables	2,146		2,146	1,436	3,750
9. Other receivables	32		32	21	27
<b>IV. Current financial assets</b>	<b>135,410</b>		<b>135,410</b>	<b>123,889</b>	<b>81,090</b>
1. Cash on hand	28		28	26	39
2. Cash at bank	1,602		1,602	3,913	10,551
3. Short-term securities and investments	133,780		133,780	119,950	70,500
<b>D. I. Other assets</b>	<b>5,018</b>		<b>5,018</b>	<b>4,002</b>	<b>2,225</b>
1. Deferred expenses	3,857		3,857	1,591	1,873
3. Accrued income	1,161		1,161	2,411	352
Control number	2,202,290	632,644	1,569,646	1,524,902	2,076,263

	31. 12. 2003	31. 12. 2002	31. 12. 2001
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>393,666</b>	<b>382,226</b>	<b>519,622</b>
<b>A. Equity</b>	<b>347,876</b>	<b>338,751</b>	<b>465,790</b>
<b>I. Share capital</b>	<b>333,180</b>	<b>362,262</b>	<b>365,741</b>
1. Share capital	365,741	383,048	384,948
2. Treasury shares and holdings (-)	-51,768	-22,686	-19,207
3. Changes in share capital	19,207	1,900	
<b>II. Capital funds</b>	<b>35,998</b>	<b>35,998</b>	<b>35,998</b>
1. Share premium	22,769	22,769	22,769
2. Other capital funds	13,229	13,229	13,229
<b>III. Statutory funds</b>	<b>7,512</b>	<b>30,198</b>	<b>25,656</b>
1. Statutory reserve fund / Indivisible fund	7,512	30,198	25,656
<b>IV. Retained earnings</b>	<b>-67,021</b>	<b>33,858</b>	<b>17,154</b>
1. Accumulated profits brought forward	56,544	33,858	17,154
2. Accumulated losses brought forward	-123,565		
<b>V. Profit or loss for the current period (+ -)</b>	<b>38,207</b>	<b>-123,565</b>	<b>21,241</b>
<b>B. Liabilities</b>	<b>36,706</b>	<b>40,352</b>	<b>46,364</b>
<b>I. Reserves</b>	<b>14,423</b>	<b>18,092</b>	<b>12,343</b>
1. Reserves under special legislation		5,871	4,403
4. Other reserves	14,423	12,221	7,940
<b>II. Long-term liabilities</b>			<b>13,209</b>
10. Deferred tax liability			13,209
<b>III. Short-term liabilities</b>	<b>22,283</b>	<b>22,260</b>	<b>20,812</b>
1. Trade payables	10,006	6,221	4,996
5. Payables to employees	2,276	2,645	2,004
6. Social security and health insurance payables	1,658	1,943	1,214
7. State – tax payables and subsidies	861	2,803	1,674
8. Short-term prepayments received	2,639	3,749	5,034
10. Estimated payables	4,724	4,689	5,722
11. Other payables	119	210	168
<b>C. I. Other liabilities</b>	<b>9,084</b>	<b>3,123</b>	<b>7,468</b>
1. Accrued expenses	9,074	3,108	4,443
2. Deferred income	10	15	2,944
3. Foreign currency exchange gains			81
Control number	1,527,373	1,649,346	2,049,779

# Financials

## CASH FLOW STATEMENT YEAR ENDED 31. 12. 2003 (IN CZK THOUSAND)

		period to 31. 12. 2003	period to 31. 12. 2002	period to 31. 12. 2001
<b>P.</b>	<b>Opening balance of cash and cash equivalents</b>	<b>3,939</b>	<b>10,590</b>	<b>11,236</b>
	<b>Cash flows from ordinary activities</b>			
Z.	Profit or loss from ordinary activities before tax	47,302	-122,449	33,199
A.1.	Adjustments for non-cash transactions	-3,644	200,886	40,400
A.1.1.	Depreciation of fixed assets	20,597	26,215	37,683
A.1.2.	Change in provisions and reserves	-177,942	178,097	1,138
A.1.3.	Profit/(loss) on the sale of fixed assets	156,602	-147	3,234
A.1.5.	Interest expense and interest income	-2,901	-3,279	-1,655
<b>A.*</b>	<b>Net operating cash flow before changes in working capital</b>	<b>43,658</b>	<b>78,437</b>	<b>73,599</b>
A.2.	Change in working capital	-3,207	-49,855	144
A.2.1.	Change in operating receivables and other assets	12,377	1,373	13,150
A.2.2.	Change in operating payables and other liabilities	-1,754	-1,778	-8,506
A.2.4.	Change in current financial assets	-13,830	-49,450	-4,500
<b>A.**</b>	<b>Net cash flow from operations before tax and extraordinary items</b>	<b>40,451</b>	<b>28,582</b>	<b>73,743</b>
A.3.	Interest paid			-3,099
A.4.	Interest received	2,901	3,279	4,923
A.5.	Income tax paid from ordinary operations	-15,340	-14,459	-23,874
A.6.	Receipts and expenditures relating to extraordinary activities		611	350
<b>A.***</b>	<b>Net operating cash flows</b>	<b>28,012</b>	<b>18,013</b>	<b>52,043</b>
	<b>Cash flows from investing activities</b>			
B.1.	Fixed assets expenditures	-1,239	-21,420	-5,555
B.2.	Proceeds from fixed assets sold		230	2,699
<b>B.***</b>	<b>Net investment cash flows</b>	<b>-1,239</b>	<b>-21,190</b>	<b>-2,856</b>
	<b>Cash flow from financial activities</b>			
C.1.	Change in payables from financing			-49,500
C.2.	Impact of changes in equity	-29,082	-3,474	-333
C.2.1.	Cash increase in share capital	-29,082		
C.2.5.	Payments from capital funds		-3,474	-333
<b>C.***</b>	<b>Net financial cash flows</b>	<b>-29,082</b>	<b>-3,474</b>	<b>-49,833</b>
F.	Net increase or decrease in cash and cash equivalents	-2,309	-6,651	-646
R.	Closing balance of cash and cash equivalents	1,630	3,939	10,590

## STATEMENT OF CHANGES IN EQUITY AS OF 31. 12. 2003 (IN CZK THOUSAND)

	Share capital	Capital funds	Reserve funds, indivisible fund and other funds from profit	Accumulated profits brought forward	Accumulated losses brought forward	Profit or loss for the current period	TOTAL EQUITY
<b>Balance at 31 December 2001</b>	<b>365,741</b>	<b>35,998</b>	<b>25,656</b>	<b>17,154</b>		<b>21,241</b>	<b>465,790</b>
Decrease in share capital	-3,479						-3,479
Allocation of profit			4,542	16,704		-144,806	-123,560
<b>Balance at 31 December 2002</b>	<b>362,262</b>	<b>35,998</b>	<b>30,198</b>	<b>33,858</b>		<b>-123,565</b>	<b>338,751</b>
Decrease in share capital	-29,082						-29,082
Allocation of profit					-123,565	123,565	
Profit or loss of the current period						38,207	
Payments from capital funds			-22,686	22,686			
<b>Balance at 31 December 2003</b>	<b>333,180</b>	<b>35,998</b>	<b>7,512</b>	<b>56,544</b>	<b>-123,565</b>	<b>38,207</b>	<b>347,876</b>

# Notes to the financial statements for the year ended 31 December 2003

## 1. GENERAL INFORMATION

### 1.1. Incorporation and Description of the Business

Burza cenných papírů Praha, a.s. (hereinafter the "Company" or the "Prague Stock Exchange"), having its registered office address at Rybná 14, Prague 1, was incorporated through a Memorandum of Association dated 24 July 1992 by twelve Czechoslovak banks and five brokerage firms.

The Company was entered in the Register of Companies maintained by the Regional Court for Prague 1 on 24 November 1992. The Finance Ministry of the Czech Republic granted a permit to incorporate the Company on 16 October 1992 (Ref. No. 102/58/294/92). The corporate details of the Company are maintained in the Register of Companies held at the Municipal Court in Prague, File B, Insert 1773.

#### The principal subjects of operations of the Company are as follows:

- To organise, in accordance with the generally applicable legal regulations, Stock Exchange Rules and Stock Exchange Regulations, on pre-determined premises and at a set daily time through authorised persons, trading with registered securities, investment instruments that are not securities, and other capital market instruments to the extent of the licence issued by the Securities Commission which applies to the following capital market instruments:
  - (a) Options in terms of Section 8a (1) (g) of the Securities Act, the value of which is derived from the value in the rate index composed of shares listed on a public market in the Czech Republic, where none of the options has a weighting in excess of 35 percent in this index;
  - (b) Futures in terms of Section 8a (1) (d) of the Securities Act, the value of which is derived from the value in the rate index composed of shares listed on a public market in the Czech Republic, where none of the futures has a weighting in excess of 35 percent in this index;
  - (c) Futures in terms of Section 8a (1) (d) of the Securities Act, the value of which is derived from an interest rate commonly used on a financial market in the Czech Republic;
  - (d) Futures in terms of Section 8a (1) (d) of the Securities Act, the value of which is derived from the value of a basket of no less than two government bonds pursuant to Section 18 (1) of the Bonds Act 530/1990 Coll., as amended, listed in a public market in the Czech Republic.
- To ensure publication of the results of stock exchange transactions;
- To render services involving the provision of information, even such information that relates to securities that have not been listed in a public market under the conditions set out in the Stock Exchange Act 214/1992 Coll., as amended, to the extent of the licence issued by the Securities Commission and provided that the provision of the information is set out in the Stock Exchange Rules;
- To undertake advisory, educational and other activities relating to the principal operations;
- To provide software;
- To purchase goods for sale and resale;
- To undertake training activities;
- To mediate educational activities;
- To perform technical activities related to information technologies; and
- To perform publishing activities.

Based on the resolution of the Regional Court for Prague 1 adopted on 3 April 1996, the Company's share capital recorded in the Register of Companies was increased to CZK 384,948 thousand and split into 384,948 shares of registered stock with a nominal value of CZK 1,000. None of the shareholders has an equity interest greater than 20 percent.

The Company's financial statements have been prepared as of and for the year ended 31 December 2003.

### 1.2. Year-on-Year Changes and Amendments to the Register of Companies

At the General Meeting held on 12 June 2002, shareholders resolved to decrease the issued share capital by CZK 1,900 thousand to CZK 383,048 thousand. On the basis of this resolution, the Company filed a 'petition to initiate proceedings to record the resolution of the General Meeting in the Register of Companies' on 21 August 2002. The capital decrease was registered in the Register of Companies on 30 January 2004.

At the General Meeting held on 25 May 2003, shareholders resolved to decrease the issued share capital by CZK 17,307 thousand to CZK 365,741 thousand. On the basis of this resolution, the Company filed a 'petition to initiate proceedings to record the resolution of the General Meeting in the Register of Companies' on 27 June 2003. As of the balance sheet date, this capital decrease has not as yet been dealt with by the Register of Companies maintained at the Municipal Court in Prague.

### 1.3. Organisational Structure of the Company

The following units report directly to the Secretary General:

- Legal Services;
- Internal Audit and Security Department;
- Development Function;
- Secretariat of the Secretary General, Filing Room and Human Resources Management;
- Trading and Securities Department;
- Services Department;
- Information Technology Department;
- Inspection Department; and
- Economic and Administration Department.

### 1.4. Group Identification

As of 31 December 2003, the Prague Stock Exchange had two subsidiary companies.

Univyc was incorporated by a Notarial Record on 21 June 1996, as a joint stock company and was recorded in the Register of Companies on 8 October 1996. The Company was incorporated by the transformation of the limited liability company Burzovní registr cenných papírů, s.r.o. The Company became the legal successor of this company. UNIVYC is a wholly owned subsidiary of Burza cenných papírů Praha, a.s., having its registered office at Rybná 14, Prague 1. UNIVYC's share capital of CZK 10,000 thousand consists of 10,000 registered shares with a value of CZK 1,000. In 2001, the Company and UNIVYC entered into a controlling agreement.

On 21 November 2003, the Company, as the sole founder, decided to form a joint stock company Centrální depozitář, a.s., having its registered office address at Rybná 14, Prague 1. The proposed share capital balance of CZK 3,000 thousand consists of 3,000 shares with a nominal value of CZK 1,000. The sole shareholder is the Prague Stock Exchange. The petition to register the joint stock company in the Register of Companies maintained at the Municipal Court in Prague was filed on 16 January 2004.

# Financials

## 1.5. Board of Directors and Supervisory Board as of 31 December 2003

	Position	Name
Board of Directors	Chairman	Dušan Baran
	Vice Chairmen	Michael Jasanský Jan Blaško
	Members	Pavel Hollmann Peter Palečka Jan Sýkora Tomáš Zralý
	Chairman	Věslav Michalik
	Members	Martin Aschenbrenner Jiří Klumpar Jan Struž Tomas Spurny Petra Wendelová

During the year ended 31 December 2003, the following changes were made to the composition of the Company's Board of Directors and Supervisory Board:

### Board of Directors:

Position	Original member	New member	Date of change
Member	Petr Bodnár		28. 2. 2003
	Tomáš Ševčík		28. 5. 2003
		Tomáš Zralý	29. 5. 2003

### Supervisory Board:

Position	Original member	New member	Date of change
Member	Miroslav Fučík		25. 6. 2003
		Tomas Spurny	28. 11. 2003

## 2. BASIS OF ACCOUNTING AND GENERAL ACCOUNTING PRINCIPLES

The Company's accounting records are maintained and the financial statements were prepared in accordance with the Accounting Act 563/1991 Coll., the Regulation 500/2002 Coll., which establishes the classification, identification and substance of the components of financial statements, the guiding chart of accounts, accounting policies and their adoption, and in compliance with the Provision of the Finance Ministry 281/89 759/2001, which sets out the chart of accounts and accounting principles and policies for businesses to the extent that the matters on which it provides guidance are not dealt with differently in the Regulation 500/2002 Coll.

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

The transaction recognition date is the day when a delivery is performed, a payable settled, a receivable collected, an advance payment made or received, a shortfall, deficit, surplus or damage determined, an assets transferred within the reporting entity or when other events occur arising from the internal circumstances of the Company that are subject to accounting and that occurred in the Company or can be supported by relevant documents.

The Company recognises expenses and income in the period to which they relate on an accruals basis.

Expenses and costs relating to future periods are recognised on an accruals basis as deferred or accrued expenses.

Income and revenues relating to future periods are recognised on an accruals basis as deferred or accrued income.

The Company records a reserve fund in accordance with the Commercial Code.

The financial statements were prepared as of the balance sheet date of 31 December 2003.

All figures are presented in Czech Crowns ('CZK'). The standard unit of measurement used is thousands, unless indicated otherwise.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1. Tangible Fixed Assets

Tangible fixed assets include assets with an estimated useful life greater than one year and an acquisition cost greater than CZK 40,000 on an individual basis.

The following tangible fixed assets are stated at replacement cost: tangible fixed assets acquired through donation, fixed assets recently entered in the accounting records (accounted for by a corresponding entry in the relevant accumulated depreciation account), and an investment of tangible fixed assets.

Purchased tangible fixed assets are valued at acquisition cost.

The cost of fixed asset improvements exceeding CZK 40,000 for the period increases the acquisition cost of the related fixed asset.

Depreciation is charged so as to write off the cost of tangible fixed assets, other than land and assets under construction, over their estimated useful lives, using the straight line method, on the following basis:

	<u>Number of years</u>
Buildings	45
Manufacturing machinery	-
Computers	4
Vehicles	4
Furniture and fixtures	8-15
Other	4-8

Other fixed assets composed of individual movable assets with a cost lower than CZK 40,000 and an estimated useful life greater than one year are recorded in a stand-alone subledger account of tangible fixed assets and are fully written off when brought into use.

#### **Provisioning**

During the year ended 31 December 2003, no provisions were made against tangible fixed assets based on the results of the inventory taking. The provision recognised in 2002 in respect of the Stock Exchange Palace building was reversed in 2003 following the sale of the building.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised through the profit and loss account.

### **3.2. Intangible Fixed Assets**

Intangible fixed assets include assets with an estimated useful life greater than one year and an acquisition cost greater, on an individual basis, than CZK 60,000 in respect of intangible assets other than start-up costs.

Purchased intangible fixed assets are stated at cost.

The cost of fixed asset improvements exceeding CZK 40,000 for the period increases the acquisition cost of the related fixed asset.

Amortisation of intangible fixed assets is recorded on a straight line basis over their estimated useful lives as follows:

	<u>Number of years</u>
Research and development	-
Software	4
Valuable rights	-
Other intangible fixed assets	8

Other intangible fixed assets composed of software with a cost lower than CZK 60,000 and an estimated useful life greater than one year are recorded in a stand-alone subledger account of intangible fixed assets and are fully written off when brought into use.

#### **Provisioning**

During the year ended 31 December 2003, no provisions were made against intangible fixed assets.

### **3.3. Non-Current Financial Assets**

Securities and equity investments are carried at cost upon acquisition.

As of the date of acquisition, the Company categorises these non-current financial assets based on their underlying characteristics as equity investments or debt securities held to maturity or securities and equity investments available for sale.

As of the balance sheet date, equity investments are stated at the lower of cost and amount equivalent to the Company's share of the entity's equity.

#### **Current Financial Assets**

Current financial assets are carried at cost upon acquisition.

As of the date of acquisition, the Company categorises current financial assets based on their underlying characteristics as current financial assets held for trading or available for sale. Current financial assets held for trading are defined as securities held by the Company with the intention of reselling them on public markets, thereby generating profits on price fluctuations in the short term, which does not exceed one year.

### **3.4. Derivatives**

The Company does not enter into any derivative contracts and does not account for any derivative transactions.

### **3.5. Inventory**

The Company carries no inventory given the nature of its business.

### **3.6. Receivables**

Upon origination receivables are stated at their nominal value and subsequently reduced by appropriate provisions for doubtful and bad amounts.

#### **Provisioning**

The Company records provisions for receivables based upon an assessment of recoverability of individual debts.

### **3.7. Trade Payables**

Upon origination trade payables are stated at their nominal value.

# Financials

## 3.8. Loans

### Valuation

Loans are reported at nominal value. The portion of long-term loans maturing within one year from the balance sheet date is included in short-term loans.

## 3.9. Reserves

Reserves are recognised to cover future obligations or expenditure whose purpose is known, their crystallisation is more likely than not, but are typically of uncertain timing or amount.

Until the year ended 31 December 2002, the Company had created statutory tax deductible reserves for repairs of tangible fixed assets. This reserve was released in 2003 in connection with the sale of the Stock Exchange Palace building.

## 3.10. Foreign Currency Translation

Transactions in foreign currencies are translated using the exchange rate of the Czech National Bank or the exchange rate used by a bank prevailing on the transaction date.

As of the balance sheet date, financial assets, current assets and liabilities denominated in a foreign currency are translated using the effective exchange rate promulgated by the Czech National Bank as of that date. Any resulting foreign exchange rate gains and losses are recorded to the current year's financial expenses or revenues as appropriate.

## 3.11. Finance Leases

The Company held no assets under finance lease agreements during the year ended 31 December 2003.

## 3.12. Taxation

### 3.12.1. Current Tax Payable

The tax currently payable is based on taxable profit for the reporting period. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

### 3.12.2. Depreciation of Fixed Assets for Tax Purposes

Depreciation of fixed assets is calculated using the straight line method for tax purposes.

### 3.12.3. Deferred Taxation

Deferred tax is accounted for using the balance sheet liability method.

Under the liability method, deferred tax is calculated at the income tax rate that is expected to apply in the period when the tax liability is settled or the asset realised.

The balance sheet liability method focuses on temporary differences which are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount that will be deductible for tax purposes in the future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is charged or credited to the profit and loss account.

Deferred tax assets and liabilities are offset and reported on an aggregate net basis in the balance sheet.

## 3.13. Impairment

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the greater of net selling price and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

## 3.14. Treasury Shares

The transferability of the shares is restricted as they may be transferred to third parties solely subject to the prior approval of the Stock Exchange Chamber. The approval is subject to the consent of a two-thirds majority of the Stock Exchange Chamber members in attendance.

The Company is obligated to repurchase treasury shares if the Stock Exchange Chamber does not approve the transfer to another party, but the consideration paid must not exceed the nominal value of shares. The Company is required to dispose of the repurchased treasury shares within a three-year period. If the treasury shares are not resold within that time-limit, the Company is required to withdraw the shares from circulation and reduce its share capital balance by their nominal value.

## 3.15. Revenue Recognition

Revenues are recognised when services are rendered and are reported net of discounts and VAT.

## 3.16. Use of Estimates

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets as of the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Management of the Company believes that the estimates and assumptions used will not significantly differ from the actual results and outcomes in the following reporting periods.

## 3.17. Extraordinary Expenses and Income

Extraordinary items are income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the Company as well as income or expenses from events or transactions that are not expected to recur frequently or regularly.

### 3.18. Year-on-Year Changes in Accounting, Valuation and Depreciation Policies

The financial statements for the year ended 31 December 2002 were restated to reflect the change of the format of the financial statements for the year ended 31 December 2003.

Principal changes are as follows:

A deferred tax asset is reported as a long-term receivable as of 31 December 2003 while it was recognised as a component of reserves as of 31 December 2002.

The recognition of reserves and provisions is charged to expenses but their use, decrease or release due to redundancy is credited to expenses.

Insurance of assets, persons and activities is charged to operating expenses while it was charged to financial expenses as of 31 December 2002.

Insurance proceeds collected from insurers in respect claims and compensation for claims have been charged to operating income and expenses with effect from 2003. As of 31 December 2002, they were included in extraordinary income and expenses.

Foreign currency retranslation gains and losses that arose in 2002 were recorded through financial expenses and income in line with the accounting treatment adopted in respect of the year ended 31 December 2003.

In the year ended 31 December 2003, provided and received prepayments were recorded separately in 'Short-term receivables' and 'Short-term payables', respectively. In the year ended 31 December 2002, these balances were reported as a component of 'Trade receivables' or 'Trade payables' as appropriate.

In the year ended 31 December 2003, estimated receivables and payables were included in short-term receivables and short-term payables as appropriate.

None of the changes discussed above have an impact on the Company's retained earnings and equity.

### 3.19. Cash Flow Statement

The cash flow statement is prepared using the indirect method. Cash equivalents include current liquid assets easily convertible into cash in an amount agreed in advance. Cash and cash equivalents can be analysed as follows:

(CZK '000)	31 December 2003	31 December 2002	31 December 2001
Cash on hand and cash in transit	28	26	39
Cash at bank	1,602	3,913	10,551
<b>Total cash</b>	<b>1,630</b>	<b>3,939</b>	<b>10,590</b>

## 4. ADDITIONAL INFORMATION ON THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

### 4.1. Fixed Assets

#### 4.1.1. Intangible Fixed Assets

##### C O S T

(CZK '000)	31 Dec 2000	Additions	Disposals	31 Dec 2001	Additions	Disposals	31 Dec 2002	Additions	Disposals	31 Dec 2003
Software	78,163	1,264		79,427	2,225	2,614	79,038	1,791		80,829
– software costing greater than CZK 60 thousand	75,512	559		76,071	1,351	1,675	75,747	1,239		76,986
– software costing less than CZK 60 thousand	2,651	705		3,356	874	939	3,291	552		3,843
Other intangible fixed assets	160			160			160			160
<b>Total</b>	<b>78,323</b>	<b>1,264</b>		<b>79,587</b>	<b>2,225</b>	<b>2,614</b>	<b>79,198</b>	<b>1,791</b>		<b>80,989</b>

##### A C C U M U L A T E D A M O R T I S A T I O N

(CZK '000)	31 Dec 2000	Additions	Disposals	31 Dec 2001	Additions	Disposals	31 Dec 2002	Additions	Disposals	31 Dec 2003
Software	48,806	13,451		62,257	12,850	2,614	72,493	4,506		76,999
– software costing greater than CZK 60 thousand	46,155	12,746		58,901	11,976	1,675	69,202	4,180		73,382
– software costing less than CZK 60 thousand	2,615	705		3,356	874	939	3,291	326		3,617
Other intangible fixed assets	160			160			160			160
<b>Total</b>	<b>48,966</b>	<b>13,451</b>		<b>62,417</b>	<b>12,850</b>	<b>2,614</b>	<b>72,653</b>	<b>4,506</b>		<b>77,159</b>

##### N E T B O O K V A L U E

(CZK '000)	31 Dec 2001	31 Dec 2002	31 Dec 2003
Software	17,170	6,545	3,830
– software costing greater than CZK 60 thousand	17,170	6,545	3,604
– software costing less than CZK 60 thousand			226
<b>Total</b>	<b>17,170</b>	<b>6,545</b>	<b>3,830</b>

Amortisation of intangible fixed assets charged to expenses amounted to CZK 4,506 thousand, CZK 12,850 thousand and CZK 13,451 thousand for the years ended 31 December 2003, 2002 and 2001, respectively.

# Financials

## 4.1.2. Tangible Fixed Assets

### COST

(CZK '000)	31 Dec 2000	Additions	Disposals	31 Dec 2001	Additions	Disposals	31 Dec 2002	Additions	Disposals	31 Dec 2003
Land	71,856			71,856			71,856			71,856
Buildings	360,286	2,004	3,466	358,824			358,824			358,824
Individual movable assets	213,890	4,516	15,180	203,126	5,036	7,672	200,490	21,342	127,925	93,907
– Machinery and equipment	185,984	3,071	8,931	180,124	3,384	5,700	177,808	18,821	126,922	69,707
– Vehicles	2,754	408	300	2,862	12		2,874			2,874
– Furniture and fixtures	11,433		3,988	7,445	838	608	7,675	103	193	7,585
– Low value tangible FA	13,719	937	1,931	12,695	802	1,364	12,133	2,418	810	13,741
Tangible FA under construction		406		406	15,397	406	15,397			15,397
<b>Total</b>	<b>646,032</b>	<b>6,826</b>	<b>18,646</b>	<b>634,212</b>	<b>20,433</b>	<b>8,078</b>	<b>646,567</b>	<b>21,342</b>	<b>574,002</b>	<b>93,907</b>

### ACCUMULATED DEPRECIATION AND PROVISIONS

(CZK '000)	31 Dec 2000	Additions	Disposals	31 Dec 2001	Additions	Disposals	31 Dec 2002	Additions	Disposals	31 Dec 2003
Land										
Buildings	46,915	11,356	3,466	54,807	180,285		235,092	295,944	531,036	
Individual movable assets	188,293	15,846	15,180	188,959	6,421	7,886	187,494	14,001	127,926	73,569
– Machinery and equipment	164,840	12,670	8,930	168,580	3,536	5,700	166,416	11,454	126,922	50,948
– Vehicles	1,376	463	300	1,539	527		2,066	515		2,581
– Furniture and fixtures	8,358	1,776	3,989	6,145	1,556	822	6,879	540	193	7,226
– Low value tangible FA	13,719	937	1,961	12,695	802	1,364	12,133	1,491	810	12,814
<b>Total</b>	<b>235,210</b>	<b>27,202</b>	<b>18,646</b>	<b>243,766</b>	<b>186,706</b>	<b>7,886</b>	<b>422,586</b>	<b>309,944</b>	<b>658,961</b>	<b>73,569</b>

### NET BOOK VALUE

(CZK '000)	31 Dec 2001	31 Dec 2002	31 Dec 2003
Land	71,856	71,856	
Buildings	304,017	123,732	
Individual movable assets	14,167	12,996	20,338
– Machinery and equipment	11,544	11,392	18,759
– Vehicles	1,323	808	293
– Furniture and fixtures	1,300	796	359
– Low value tangible FA			927
Tangible FA under construction	406	15,397	
<b>Total</b>	<b>390,446</b>	<b>223,981</b>	<b>20,338</b>

### ADDITIONS TO TANGIBLE FIXED ASSETS

Additions to assets consist of computers supplied in 2002 which were installed in early 2003 (CZK 15,397 thousand) and supplies of computers made during 2003.

### DISPOSALS OF TANGIBLE FIXED ASSETS

In the year ended 31 December 2003, the Company sold the Stock Exchange Palace building together with the underlying plot of land and infrastructure. The assets were removed from the Company's books as of 19 November 2003. A copy of details held at the Real Estate Register as of 3 March 2004 shows Burzovní palác, s.r.o. as being the owner of the Stock Exchange Palace building. The impact of the sale on the Company's profit or loss, without taking into account the real estate transfer tax, is as follows:

Total net book value of assets sold	-365,709
Selling price	209,100
Release of provisions and reserves	178,083
<b>Total impact on the Company's profit or loss</b>	<b>21,474</b>

Depreciation of tangible fixed assets charged to expenses amounted to CZK 16,092 thousand, CZK 13,442 thousand and CZK 23,148 thousand for the years ended 31 December 2003, 2002 and 2001, respectively.

## 4.2. Non-Current Financial Assets

The Company is the sole owner of UNIVYC, a.s. and Centrální depozitář, a.s. The share capital of UNIVYC, a.s. and Centrální depozitář, a.s. amounts to CZK 10,000 thousand and CZK 3,000 thousand, respectively. Further details are set out at Note 1.4.

### COST

(CZK '000)	Purchase cost 31 Dec 2001	Purchase cost 31 Dec 2002	Cost			31 Dec 2003
			Additions	Disposals	Revaluation at 31 Dec 2003	
Equity investments in subsidiaries	100	100	3,000		0	3,100
<b>Total</b>	<b>100</b>	<b>100</b>	<b>3,000</b>		<b>0</b>	<b>3,100</b>

#### 4.2.1. Non-Current Financial Assets Pledged as Security

The Company pledged no non-current financial assets as security.

#### 4.3. Current Financial Assets

(CZK '000)	31 Dec 2003	31 Dec 2002	31 Dec 2001
Cash on hand	28	26	39
Cash in bank	1,602	3,913	10,551
Short-term securities	133,780	119,950	70,500
<b>Total cash</b>	<b>135,410</b>	<b>123,889</b>	<b>81,090</b>

#### 4.4. Receivables

#### 4.5. Short-Term Receivables

Set out below is an analysis of short-term receivables (net balances):

(CZK '000)	31 Dec 2003	31 Dec 2002	31 Dec 2001
<b>Category</b>			
Trade receivables	214,577	17,550	15,522
Customers	214,533	12,808	10,840
Expenses to be distributed	44	1,024	276
Due from the Magistrate of the City of Prague	0	3,718	4,406
Operating prepayments made	4,513	4,702	4,886
Tax receivables	956	0	0
Estimated assets	2,146	1,436	3,750
Other receivables + social security	38	21	27
<b>Total short-term receivables, net</b>	<b>222,230</b>	<b>23,709</b>	<b>24,185</b>

The increase in receivables from customers is attributable to the amount due from Burzovní palác, s.r.o. in connection with the sale of the building. This receivable falls due following the registration in the Real Estate Register totalling CZK 209,100 thousand.

None of the receivables have been collateralised.

#### 4.5.1. Aging of Trade Receivables

Year	Category	Before due date	Past due date				Total past due date	Total	
			0 – 60 days	61 – 180 days	181 – 360 days	1 – 2 years			2 and more years
2003	Short-term	214,574	2	25		7	7,402	7,436	222,010
	Provisions	0		24		7	7,402	7,433	7,433
	<b>Net</b>	<b>214,574</b>	<b>2</b>	<b>1</b>		<b>0</b>	<b>0</b>	<b>3</b>	<b>214,577</b>
2002	Short-term	17,358	185	7		1,329	8,027	9,548	26,906
	Provisions	0	0	0		1,329	8,027	9,356	9,356
	<b>Net</b>	<b>17,358</b>	<b>185</b>	<b>7</b>		<b>0</b>	<b>0</b>	<b>192</b>	<b>17,550</b>
2001	Short-term	15,041	457	643	712	1,312	7,662	10,786	25,827
	Provisions	0	0	619	712	1,312	7,662	10,305	10,305
	<b>Net</b>	<b>15,041</b>	<b>457</b>	<b>24</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>481</b>	<b>15,522</b>

#### 4.5.2. Net Intercompany Receivables

(CZK '000)	31 Dec 2003	31 Dec 2002	31 Dec 2001
<b>Name of the entity</b>			
<b>Short-term receivables</b>			
UNIVYC	306	3,001	1,407
Centrální depozitář	31		
<b>Total short-term receivables</b>	<b>337</b>	<b>3,001</b>	<b>1,407</b>

Intercompany receivables are before their due dates.

#### 4.5.3. Estimated Receivables

(CZK '000)	31 Dec 2003	31 Dec 2002	31 Dec 2001
<b>Name of the entity</b>			
<b>Estimated receivables</b>	<b>2,146</b>	<b>1,436</b>	<b>3,750</b>
Interest on a blocked account (sale of building)	420		
Unbilled information services	30		2,886
Unbilled rental services	1,608	1,436	864
Other	88		

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## 4.6. Temporary Assets

(CZK '000)	31 Dec 2003	31 Dec 2002	31 Dec 2001
<b>Deferred expenses</b>	<b>3,857</b>	<b>1,591</b>	<b>1,873</b>
Rental of non-residential premises	2,618	303	303
Insurance	634	620	661
Other services	605	668	909
<b>Accrued income</b>	<b>1,161</b>	<b>2,411</b>	<b>352</b>
Stock exchange information	1,138	1,872	
Proceeds of insurance claims		494	
Interest	13	45	352
Other	10		
<b>Total temporary assets</b>	<b>5,018</b>	<b>4,002</b>	<b>2,225</b>

The year-on-year increase in temporary assets in 2003 arose as a result of the sale of the building and the Company becoming a tenant.

## 4.7. Shareholders' Equity

### 4.7.1. Share Capital

#### CHANGES IN SHARE CAPITAL

Changes in share capital reflect a petition to decrease the share capital balance pursuant to the resolution of the General Meeting. Refer to Note 1.2.

#### TREASURY SHARES

Set out below is the development and structure of shares of stock exchange companies purchased and sold by the Company during 2003:

(CZK '000)	Nominal value of shares	Purchase cost of shares	Shares purchased from	Shares sold to
31 Dec 2000	18,207	18,207		
31 Dec 2001	19,207	19,207		
31 Dec 2002	22,686	22,686		
May 2003	48,470	29,082	HBS-poradenská, a.s.	
31 Dec 2003	71,156	51,768		

### 4.7.2. Profit for the Year Ended 31 December 2003

The Company generated a net profit of CZK 38,207 thousand for the year ended 31 December 2003.

The net profit was arrived at as follows:

(CZK '000)		
Profit before taxation		47,302
Due tax		-12,835
of which: current period		-12,775
additional tax return		-60
Deferred tax		+3,740
<b>Net profit</b>		<b>38,207</b>

Set out is the proposed allocation of the net profit generated for the year ended 31 December 2003:

(CZK '000)	
Mandatory allocation to the reserve fund	1,911
Unappropriated profit for the year	36,296

### 4.7.3. Statutory Reserve Fund

(CZK '000)	31 Dec 2001	31 Dec 2002	Creation	Use	31 Dec 2003
Reserve fund – statutory	6,449	7,512			7,512
Reserve fund – treasury shares	19,207	22,686		22,686	0
<b>Total</b>	<b>25,656</b>	<b>30,198</b>		<b>22,686</b>	<b>7,512</b>

As a result of legislative developments, the Company is no longer required to maintain a special reserve fund – treasury shares. As such, the balance of the fund of CZK 22,686 thousand was reallocated to retained earnings.

## 4.8. Reserves

(CZK '000)	Reserves under special legislation	Other reserves	Total reserves
Balance at 31 Dec 2000	2,936	6,581	9,517
Charge for reserves	1,467	1,359	2,826
Use of reserves	0	0	0
Balance at 31 Dec 2001	4,403	7,940	12,343
Charge for reserves	1,468	11,855	13,323
Use of reserves	0	7,574	7,574
Balance at 31 Dec 2002	5,871	12,221	18,092
Charge for reserves	0	4,112	4,112
Use of reserves	5,871	1,910	7,781
<b>Balance at 31 Dec 2003</b>	<b>0</b>	<b>14,423</b>	<b>14,423</b>

The reserve held for repairs of the Stock Exchange Palace building was reversed following the sale of the building.

Other reserves were recognised in respect of:

- Costs arising from a verdict of the District Court for Prague 1 dated 8 October 2001, in which the court held that a notice of termination of employment given by the Company was invalid. The reserve was utilised to the value equivalent to the salary compensation. Given that another suit was filed for the recovery of a portion of lost earnings, the remaining balance of the reserve was retained pending the resolution of the dispute (CZK 366 thousand);
- The reserve for the costs of paying a real estate transfer tax recognised in 2002 in the amount of CZK 9,945 thousand, which equates to 5 percent of the anticipated sales price of the real estate was increased in 2003 to reflect the tax calculated in respect of the achieved sale price. This reserve will be utilised as the tax is paid (CZK 14,041 thousand); and
- Costs of anticipated penalty arising from an additional income tax return for the year ended 31 December 2001. This reserve will be utilised as the costs are settled (CZK 16 thousand).

## 4.9. Payables

### 4.9.1. Long-Term Payables

The Company maintains no long-term payables, with the exception of a deferred tax liability recorded in long-term payables in 2001.

## 4.10. Short-Term Payables

### 4.10.1. Aging of Short-Term Trade Payables

Year	Category	Before due date	Past due date					Total past due date	Total
			0 – 90 days	91 – 180 days	181 – 360 days	1 – 2 years	2 and more years		
2003	Short-term	10,006						0	10,006
2002	Short-term	6,096	126					126	6,221
2001	Short-term	4,860	136					136	4,996

Set out below is the structure of short-term payables:

(CZK '000)	31 Dec 2003	31 Dec 2002	31 Dec 2001
<b>Category</b>			
Trade payables	10,006	6,221	4,996
Suppliers – Czech Republic	9,943	6,111	4,405
Suppliers – cross-border		60	
Other payables	63	50	
Rental payable – Magistrate of the City of Prague			591
Prepayments received	2,639	3,749	5,034
Estimated payables	4,724	4,689	5,722
Tax liabilities	861	2,803	1,674
Payables to staff	2,276	2,645	2,004
Social security and health insurance payables	1,658	1,943	1,214
Other payables	119	210	168
<b>Total short-term payables</b>	<b>22,283</b>	<b>22,260</b>	<b>20,812</b>

### 4.10.2. Intercompany Payables

(CZK '000)	31 Dec 2003	31 Dec 2002	31 Dec 2001
<b>Name of the entity</b>			
UNIVYC	625	775	837
Centrální depozitář		0	0
<b>Total short-term payables</b>	<b>625</b>	<b>775</b>	<b>837</b>

### 4.10.3. Collateralised Payables or Otherwise Secured

The Company maintains no collateralised payables or payables otherwise secured.

### 4.10.4. Long-Term Bank Loans

The Company maintained no long-term or short-term loans or borrowings in the year ended 31 December 2003.

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## 4.11. Deferred Tax and Current Tax Payable

The deferred tax asset/(liability) is analysed as follows:

### DEFERRED TAX ARISING FROM

(CZK '000)	31 Dec 2003	31 Dec 2002	31 Dec 2001
Accumulated depreciation and amortisation of fixed assets	-850	-9,704	-13,209
Provisions against fixed assets		27,485	
Receivables		227	
Reserves	3,931	3,675	
Social security and health insurance	659		
<b>Deferred tax asset/liability</b>	<b>3,740</b>	<b>21,683</b>	<b>-13,209</b>
Adjustment to reflect uncertain realisation of a portion of the deferred tax asset	0	21,683	
<b>Total</b>	<b>3,740</b>	<b>0</b>	<b>13,209</b>
<b>Impact on the profit or loss</b>	<b>-3,740</b>	<b>-13,209</b>	<b>92</b>

## 4.12. Income Tax on Ordinary and Extraordinary Activities

The charge for the year can be reconciled to the profit per the profit and loss account as follows:

(CZK '000)	31 Dec 2003	31 Dec 2002	31 Dec 2001
Profit before tax	47,302	-120,958	33,548
Tax at the domestic income tax rate of 31 percent	14,663	-37,497	10,400
Tax effect of expenses that are not deductible in determining taxable profit	52,460	59,926	3,334
Tax impact of income that is not subject to taxation	-53,799	-3,282	-1,499
Tax effect of deductible items	-549	-94	-53
Utilisation of tax losses not previously recognised		-3,426	
Recognition of a deferred tax assets not previously recognised	-3,740	-13,209	92
Additional taxes of prior years	60		33
<b>Total income tax on ordinary and extraordinary activities</b>	<b>9,095</b>	<b>2,418</b>	<b>12,307</b>

## 4.13. Details of Income

(CZK '000)	Year ended 31 Dec 2003			Year ended 31 Dec 2002			Year ended 31 Dec 2001		
	In-country	Cross-border	Total	In-country	Cross-border	Total	In-country	Cross-border	Total
Stock exchange fees	93,028		93,028	113,986		113,986	140,230		140,230
Annual trading fees	18,480		18,480	21,450		21,450	28,050		28,050
Listing fees	12,506		12,506	15,871		15,871	17,378		17,378
Trading fees	62,042		62,042	76,665		76,665	94,802		94,802
Services relating to settlement	27,512		27,512	29,800		29,800	15,350		15,350
Other services	15,658	7,696	23,354	28,767	8,461	37,228	27,021	6,532	33,553
<b>Total income from the sale of services</b>	<b>136,198</b>	<b>7,696</b>	<b>143,894</b>	<b>172,553</b>	<b>8,461</b>	<b>181,014</b>	<b>182,601</b>	<b>6,532</b>	<b>189,133</b>

The decrease in stock exchange fees compared to the years ended 31 December 2002 and 2001 is predominantly attributable to the decrease of stock exchange transactions.

## 4.14. Related Party Transactions

### 4.14.1. Income Generated with Related Parties

#### YEAR ENDED 31 DECEMBER 2003

(CZK '000)	Relation to the Company				Other income	Financial income	Extra-ordinary income	Total
Entity		Goods	Products	Services				
UNIVYC	Subsidiary			28,552			28,552	
Other								
<b>Total</b>				<b>28,552</b>			<b>28,552</b>	

#### YEAR ENDED 31 DECEMBER 2002

(CZK '000)	Relation to the Company				Other income	Financial income	Extra-ordinary income	Total
Entity		Goods	Products	Services				
UNIVYC	Subsidiary			31,242			31,242	
Other								
<b>Total</b>				<b>31,242</b>			<b>31,242</b>	

YEAR ENDED 31 DECEMBER 2001

(CZK '000)								
Entity	Relation to the Company	Goods	Products	Services	Other income	Financial income	Extra-ordinary income	Total
UNIVYC	Subsidiary			16,574				16,574
Other								
<b>Total</b>				<b>16,574</b>				<b>16,574</b>

The Company provides its subsidiary company with services relating to technical support in settling over-the-counter and stock exchange security transactions.

4.14.2. Purchases

YEAR ENDED 31 DECEMBER 2003

(CZK '000)								
Entity	Relation to the Company	Goods	Products	Services	Other income	Financial income	Extra-ordinary income	Total
UNIVYC	Subsidiary			7,500				7,500
Other								
<b>Total</b>				<b>7,500</b>				<b>7,500</b>

YEAR ENDED 31 DECEMBER 2002

(CZK '000)								
Entity	Relation to the Company	Goods	Products	Services	Other income	Financial income	Extra-ordinary income	Total
UNIVYC	Subsidiary			9,300				9,300
Other								
<b>Total</b>				<b>9,300</b>				<b>9,300</b>

YEAR ENDED 31 DECEMBER 2001

(CZK '000)								
Entity	Relation to the Company	Goods	Products	Services	Other income	Financial income	Extra-ordinary income	Total
UNIVYC	Subsidiary			10,000				10,000
Other								
<b>Total</b>				<b>10,000</b>				<b>10,000</b>

The Company purchases services relating to the settlement of stock exchange security transactions from its subsidiary company.

4.15. Consumed Purchases

(CZK '000)	Year ended 31 Dec 2003	Year ended 31 Dec 2002	Year ended 31 Dec 2001
Consumption of material	878	1,090	1,370
Consumption of energy		5	109
<b>Total consumed purchases</b>	<b>878</b>	<b>1,095</b>	<b>1,479</b>

4.16. Services

(CZK '000)	Year ended 31 Dec 2003	Year ended 31 Dec 2002	Year ended 31 Dec 2001
Repairs and maintenance	4,467	7,535	7,909
Travel expenses	1,110	884	1,846
Representation costs	270	242	226
Telephone, fax, internet	1,090	993	1,190
Low value intangible assets put to use			
Rental	4,901	15,444	15,454
Leasing			
Other services	30,657	23,831	27,950
<b>Total</b>	<b>42,495</b>	<b>48,929</b>	<b>54,575</b>

Services principally include costs involved in settling transactions, advisory services and rental costs.

4.17. Other Operating Income

(CZK '000)	Year ended 31 Dec 2003	Year ended 31 Dec 2002	Year ended 31 Dec 2001
Contractual penalties and default interest	1,726	1,168	1,245
Grants received to offset costs			
Recoveries of receivables written off and transferred	783	150	401
Rental income arising from ownership of non-current financial assets			
Other operating income	77	1,421	10
Inventory surpluses, compensation for deficits and damage of operating assets			
<b>Total other operating income</b>	<b>2,586</b>	<b>2,739</b>	<b>1,656</b>

# Financials

## 4.18. Other Operating Expenses

(CZK '000)	Year ended 31 Dec 2003	Year ended 31 Dec 2002	Year ended 31 Dec 2001
Gifts	3	6	24
Contractual penalties and default interest			
Other penalties and fines	1	30	20
Write-off of receivables and transferred receivables	1,564	717	1,061
Other operating expenses	2,087	3	4
Deficits and damage relating to operating activities			
<b>Total other operating expenses</b>	<b>3,655</b>	<b>756</b>	<b>1,109</b>

In the year ended 31 December 2003, the Company revised its policy of accounting for insurance of assets, persons and liability for damage and recognised the associated charges through operating expenses. In the period to 31 December 2002, these costs were charged to financial expenses.

## 4.19. Income from Current Financial Assets

(CZK '000)	Year ended 31 Dec 2003	Year ended 31 Dec 2002	Year ended 31 Dec 2001
Income from current financial assets	344	405	212
<b>Total</b>	<b>344</b>	<b>405</b>	<b>212</b>

## 4.20. Interest Income

(CZK '000)	Year ended 31 Dec 2003	Year ended 31 Dec 2002	Year ended 31 Dec 2001
Interest on current bank accounts	22	37	47
Interest on deposit bank accounts	2,470	3,242	4,495
Other interest received from other debtors	419		
<b>Total interest income</b>	<b>2,911</b>	<b>3,279</b>	<b>4,542</b>

## 4.21. Other Financial Income

(CZK '000)	Year ended 31 Dec 2003	Year ended 31 Dec 2002	Year ended 31 Dec 2001
Foreign exchange gains	115	240	210
Other		3	1
<b>Total</b>	<b>115</b>	<b>243</b>	<b>211</b>

## 4.22. Other Financial Expenses

(CZK '000)	Year ended 31 Dec 2003	Year ended 31 Dec 2002	Year ended 31 Dec 2001
Foreign exchange losses	159	772	368
Interest on bank loans			3,099
Banking charges	135	133	147
Other financial expenses		1,866	1,735
<b>Total</b>	<b>294</b>	<b>2,771</b>	<b>5,349</b>

In the year ended 31 December 2002, the Company recognised charges for insurance of assets, persons and liability for damage through financial expenses. With effect from 2003, these costs have been charged to operating expenses.

## 4.23. Extraordinary Expenses and Income

The Company recorded no extraordinary expenses or income for the year ended 31 December 2003.

## 5. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES

### 5.1. Staff Costs and Number of Employees

The following tables summarise the average number of the Company's employees and management for the years ended 31 December 2003, 2002 and 2001:

(Figures in persons)	Average recalculated headcount – 2003	Average recalculated headcount – 2002	Average recalculated headcount – 2001
Employees	46	48	57
Management	6	7	9
<b>Total</b>	<b>52</b>	<b>55</b>	<b>66</b>

The number of employees is based on the average recalculated headcount.

<b>(CZK '000)</b>	<b>Total staff costs – 2003</b>	<b>Total staff costs – 2002</b>	<b>Total staff costs – 2001</b>
Staff costs of employees	53,651	50,639	55,120
Of which: management	14,193	13,646	15,456
Staff costs of Board of Directors and Supervisory Board	2,191	2,594	4,205
<b>Total staff costs</b>	<b>55,842</b>	<b>53,233</b>	<b>59,325</b>

The category of 'management' includes the Secretary General and departmental directors.

## 5.2. Loans, Borrowings, and Other Benefits Provided

During the years ended 31 December 2003, 2002 and 2001, the members of the Company's Board of Directors, Supervisory Board and management received the following loans and bonuses in addition to their basic salaries:

### YEAR ENDED 31 DECEMBER 2003

<b>(CZK '000)</b>	<b>Board of Directors</b>	<b>Supervisory Board</b>	<b>Management</b>
Life and pension insurance contributions			915
Bonuses	1,446	745	4,113
Cars/other movable and immovable assets to be used for private purposes (the figure increases the tax base of employees)			281
Other benefits			111
<b>Total</b>	<b>1,446</b>	<b>745</b>	<b>5,420</b>

### YEAR ENDED 31 DECEMBER 2002

<b>(CZK '000)</b>	<b>Board of Directors</b>	<b>Supervisory Board</b>	<b>Management</b>
Life and pension insurance contributions			898
Bonuses	1,827	767	3,083
Cars/other movable and immovable assets to be used for private purposes (the figure increases the tax base of employees)			252
Other benefits			104
<b>Total</b>	<b>1,827</b>	<b>767</b>	<b>4,337</b>

### YEAR ENDED 31 DECEMBER 2001

<b>(CZK '000)</b>	<b>Board of Directors</b>	<b>Supervisory Board</b>	<b>Management</b>
Life and pension insurance contributions			1,032
Bonuses	3,181	1,024	3,618
Cars/other movable and immovable assets to be used for private purposes (the figure increases the tax base of employees)			252
Other benefits			150
<b>Total</b>	<b>3,181</b>	<b>1,024</b>	<b>5,052</b>

## 6. CONTINGENT LIABILITIES AND OFF BALANCE SHEET COMMITMENTS

### Legal Disputes

As of 31 December 2003, the Company was involved in no legal dispute, the outcome of which would significantly impact the Company's financial statements.

### Proceedings regarding the Possible Breach of the Due Care Principle Initiated by the Securities Commission against the Company

In January 2003, the Securities Commission initiated a regulatory inspection focused on determining the Company's compliance with legal regulations, Stock Exchange Rules and Stock Exchange Regulations. Pursuant to the finding highlighted by the regulatory inspection, the Securities Commission initiated administrative proceedings against the Company which have not been finalised as of the balance sheet date. Management of the Company believes that the proceedings do not have a material impact on the Company's financial statements.

## 7. POST BALANCE SHEET EVENTS

No significant events occurred after the balance sheet date which would have a financial impact on the Company.

# Auditor's Report (Consolidated)

**Deloitte.**

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## Independent Auditor's Report to the Shareholders of Burza cenných papírů Praha, a.s.

We have audited the accompanying consolidated balance sheets of Burza cenných papírů Praha, a.s. and subsidiaries (the "Group") as of 31 December 2003 and 2002, and the related statements of income, cash flows and changes in equity for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2003 and 2002, and the results of its operations, cash flows and changes in equity for the years then ended in accordance with International Financial Reporting Standards.

In Prague on 1 April 2004



Audit firm:  
Deloitte & Touche spol. s r.o.  
Represented by:  
Michal Petrman, statutory executive



Statutory auditor:  
Michal Petrman  
Certificate no. 1105

# Consolidated Financials

## CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2003

	Note	31 December 2003 CZK '000	31 December 2002 CZK '000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment (net)	8	21,582	213,634
Intangible fixed assets (net)	9	3,867	6,596
Long-term receivables	10	124	130
Deferred tax asset	14	3,723	-
<b>Total non-current assets</b>		<b>29,296</b>	<b>220,360</b>
<b>CURRENT ASSETS</b>			
Cash	4	30,529	26,455
Trade receivables (net)	5	227,701	29,867
Advances provided and other current assets	6	8,083	6,901
Short-term securities held to maturity	7	228,010	222,554
<b>Total current assets</b>		<b>494,323</b>	<b>285,777</b>
<b>TOTAL ASSETS</b>		<b>523,619</b>	<b>506,137</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	16	333,180	362,262
Shareholders' funds and undistributable reserves	16	57,902	80,564
Retained earnings/(accumulated losses)		-16,296	-71,790
<b>Total shareholders' capital</b>		<b>374,786</b>	<b>371,036</b>
<b>NON-CURRENT LIABILITIES</b>			
Other long-term payables	15	16,449	2,159
<b>Total non-current liabilities</b>		<b>16,449</b>	<b>2,159</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	11	114,463	120,900
Tax payables		1,194	3,098
Other payables	12	16,727	8,944
<b>Total current liabilities</b>		<b>132,384</b>	<b>132,942</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>523,619</b>	<b>506,137</b>

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	31 December 2003 CZK '000	31 December 2002 CZK '000
<b>Revenues</b>			
Services	17	163,737	208,642
Material	18	-46,755	-52,210
Staff costs	18	-1,425	-1,690
Depreciation and amortisation	19	-72,545	-71,614
Other operating income/(expenses)	20	-21,329	-211,065
	21	18,130	-19
<b>Profit/(loss) from operating activities</b>		<b>39,813</b>	<b>-127,956</b>
Other financial income	22	2,495	1,011
<b>Profit/(loss) before tax</b>		<b>42,308</b>	<b>-126,945</b>
Income tax	23	-9,476	-3,591
<b>Profit/(loss) after tax</b>		<b>32,832</b>	<b>-130,536</b>

# Consolidated Financials

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2003

	Share capital	Retained reserves	Treasury shares	Capital funds	Retained earnings/ (accumulated losses)	Total
	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000
<b>31 December 2001</b>	<b>384,948</b>	<b>9,900</b>	<b>-19,207</b>	<b>65,876</b>	<b>63,597</b>	<b>505,114</b>
Transfer to retained earnings	-	-	-	4,788	-4,788	-
Treasury shares	-	-	-3,479	-	-	-3,479
Net profit/(loss)	-	-	-	-	-130,536	-130,536
Other	-	-	-	-	-63	-63
<b>31 December 2002</b>	<b>384,948</b>	<b>9,900</b>	<b>-22,686</b>	<b>70,664</b>	<b>-71,790</b>	<b>371,036</b>
Transfer to retained earnings	-	-	-	-22,662	22,662	-
Treasury shares	-	-	-29,082	-	-	-29,082
Net profit/(loss)	-	-	-	-	32,832	32,832
<b>31 December 2003</b>	<b>384,948</b>	<b>9,900</b>	<b>-51,768</b>	<b>48,002</b>	<b>-16,296</b>	<b>374,786</b>

No dividends were declared in the years ended 31 December 2003 and 2002.

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

	31 December 2003 CZK '000	31 December 2002 CZK '000
<b>Cash flows from operating activities:</b>		
<b>Profit/(loss) before taxes</b>	<b>42,308</b>	<b>-126,945</b>
<b>Adjustment for non-cash transactions</b>		
Depreciation and amortisation, provisioning	21,329	211,065
Profit/(loss) on the sale of tangible and intangible fixed assets	-21,342	-373
Other non-cash transaction	-3,248	-1,397
<b>Operating profit before taxes and changes in working capital</b>	<b>39,046</b>	<b>82,350</b>
Change in accounts receivable	11,487	5,335
Change in current financial assets	-5,456	-48,883
Change in accounts payable	-990	-39,334
Change in other current assets and liabilities	-	-8,064
<b>Net cash flow from operating activities</b>	<b>44,087</b>	<b>-8,596</b>
Interest income	3,263	3,888
Income taxes paid	-12,366	-16,972
<b>Cash flows from investing activities:</b>		
Acquisition of tangible and intangible fixed assets	-1,735	-21,659
Proceeds from the sale of tangible and intangible fixed assets	40	456
<b>Net cash flow from investing activities</b>	<b>-1,695</b>	<b>-21,203</b>
<b>Cash flows from financial activities:</b>		
Change in long-term payables	-133	-314
Acquisition of treasury shares	-29,082	-4,876
<b>Net cash flow from financial activities</b>	<b>-29,215</b>	<b>-5,190</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>4,074</b>	<b>-48,073</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>26,455</b>	<b>74,528</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>30,529</b>	<b>26,455</b>

## Notes to the consolidated financial statements

### 1. DEFINITION OF THE GROUP

The principal subject of operations of Burza cenných papírů Praha, a.s. and its subsidiaries UNIVYC, a.s. and Centrální depozitář, a.s. (henceforth the "group") is to organise securities trading; trading with the rights associated with securities and associated derivative instruments in accordance with generally applicable legal regulations and stock exchange regulations on pre-determined premises and at a set daily time through authorised persons; securities trading, settlement of stock exchange trades; settlement of securities trades and maintenance of securities accounts performed on behalf of the members of UNIVYC, a.s.

The Prague Stock Exchange (henceforth the "company"), having its registered office address at Rybná 14, Prague 1, was incorporated through a Memorandum of Association dated 24 July 1992 by twelve Czechoslovak banks and five brokerage firms.

The company was entered in the Register of Companies maintained by the Regional Court for Prague 1 on 24 November 1992. The Finance Ministry of the Czech Republic granted a permit to incorporate the company on 16 October 1992 (Ref. No. 102/58/294/92). The corporate details of the company are maintained in the Register of Companies held at the Municipal Court in Prague, File B, Insert 1773.

UNIVYC, a.s. was incorporated by a Notarial Record on 21 June 1996, as a joint stock company and was recorded in the Register of Companies on 8 October 1996. The company was incorporated by the transformation of the limited liability company Burzovní registr cenných papírů, s.r.o. The company became the legal successor of this entity. UNIVYC is a wholly owned subsidiary of Burza cenných papírů Praha, a.s., having its registered office at Rybná 14, Prague 1. UNIVYC's share capital of CZK 10,000 thousand consists of 10,000 registered shares with a value of CZK 1,000. In 2001, the company and UNIVYC entered into a controlling agreement.

On 21 November 2003, the company, as the sole founder, decided to form a joint stock company Centrální depozitář, a.s., having its registered office address at Rybná 14, Prague 1. The proposed share capital balance of CZK 3,000 thousand consists of 3,000 shares with a nominal value of CZK 1,000. The sole shareholder is the Prague Stock Exchange. The petition to register the joint stock company in the Register of Companies maintained at the Municipal Court in Prague was filed on 16 January 2004.

UNIVYC, a.s. and Centrální depozitář, a.s., are consolidated in full.

#### 1.1. Statutory Bodies and Organisational Structure of the Company as of 31 December 2003

##### Board of Directors of the Company – the Stock Exchange Chamber

Pursuant to proposals to amend the details held in the Register of Companies with the Municipal Court in Prague, the composition of the Stock Exchange Chamber is as follows:

Chairman	Dušan Baran
Vice Chairman	Michael Jasanský
Vice Chairman	Jan Blaško
Members	Pavel Hollmann
	Peter Palečka
	Jan Sýkora
	Tomáš Zralý

During the year ended 31 December 2003, the following changes were made to the composition of the Stock Exchange Chamber:

Position	Original member	New member	Date of change
Member	Petr Bodnár		28. 2. 2003
	Tomáš Ševčík		28. 5. 2003
		Tomáš Zralý	29. 5. 2003

##### Supervisory Board of the Company:

Chairman	Věslav Michalík
Members	Martin Aschenbrenner
	Jiří Klumpar
	Jan Struž
	Tomas Spurny
	Petra Wendelová

During the year ended 31 December 2003, the following changes were made to the composition of the Supervisory Board:

Position	Original member	New member	Date of change
Member	Miroslav Fučík		25. 6. 2003
		Tomas Spurny	28. 11. 2003

The Stock Exchange Chamber appointed Mr Pavel Hollmann, who is an employee of the company and oversees the activities of the Stock Exchange staff and the operations of the Stock Exchange, as Secretary General. His rights and duties are defined in the Stock Exchange Act.

##### The organisational structure of the Company effective as of 1 November 2001:

The following units report directly to the Secretary General:

- Legal Services;
- Internal Audit and Security Department;
- Development function;
- Secretariat of the Secretary General, Filing Room and Human Resources Management;
- Trading and Securities Department;
- Services Department;
- Information Technology Department;
- Inspection Department; and
- Economic and Administration Department.

# Consolidated Financials

## 2. BASIS OF ACCOUNTING

The consolidated financial statements are prepared in accordance with and comply with International Financial Reporting Standards ('IFRS') effective for the year ended 31 December 2003. The consolidated financial statements are prepared on the accruals basis of accounting whereby the effects of transactions and other events are recognised when they occur and are reported in the financial statements of the periods to which they relate, and on the going concern assumption. The financial statements include a balance sheet, a profit and loss account, a statement of changes in equity, a cash flow statement and notes to the financial statements.

The consolidated financial statements are prepared under the historical cost convention, as modified by the revaluation of available-for-sale securities, financial assets and financial liabilities held for trading to fair value.

The group maintains its books of account and prepares statements for statutory purposes in accordance with Czech Accounting Standards ('CAS'). The accompanying financial statements are based on the accounting records, together with appropriate adjustments and reclassifications necessary for fair presentation in accordance with IFRS. A reconciliation of reserves and profit for the year reported under CAS to reserves and profit for the year reported under IFRS is shown in Note 24 to these financial statements.

The presentation of consolidated financial statements in conformity with IFRS requires management of the group to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. These estimates are based on the information available as of the date of the financial statements. Management believes that the estimates and assumptions used will not significantly differ from the actual results and outcomes in the following reporting periods.

The reporting currency used in the consolidated financial statements is the Czech Crown ('CZK') with accuracy to CZK thousand.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1. Basis of Consolidation

Subsidiary undertakings, which are those companies in which the group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been fully consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the group and are no longer consolidated from the date of disposal. All intercompany transactions have been eliminated.

As of 31 December 2003, the group carried no investments in associated undertakings.

### 3.2. Foreign Currency Translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies as of the balance sheet date are recognised in the profit and loss account.

### 3.3. Pension Insurance

The Government of the Czech Republic is responsible for providing basic pension insurance to corporate employees. The company makes periodic monthly payments of contributions to the government. Such allowances are derived from the volume of paid wages and salaries and serve as funding of the state pension insurance. Payables arising from the contributions are reported as other current payables.

### 3.4. Cash and Cash Equivalents

The group considers short-term investments with an original maturity of three months or less to be cash equivalents which are reflected at their fair value.

### 3.5. Accounts Receivable

Accounts receivable are shown net of provisions for doubtful accounts. The provisions are based on specific accounts due where realisation is unlikely. Tax deductible write-offs and provisions are computed using an aged balance analysis.

### 3.6. Securities

Securities held by the group are categorised into portfolios in accordance with the group's intent on the acquisition of the securities and pursuant to the group's security investment strategy. The group developed security investment strategies and, reflecting the intent of the acquisition, allocated securities to the 'Held for trading' portfolio, the 'Available for sale' portfolio and the 'Held to maturity' portfolio. The group has also carried securities in the category 'Acquired under initial offerings not designated for trading' which are reported together with receivables. The principal difference among the portfolios relates to the measurement approach of securities and the recognition of their fair values in the financial statements.

All securities held by the group are recognised using settlement date accounting at their cost including transaction costs.

#### 3.6.1 Investments held to maturity

Investments held to maturity are financial assets with fixed or determinable payments and fixed maturities that the group has the positive intent and ability to hold to maturity. This portfolio comprises treasury bills and depository bills of exchange. Held to maturity investments are carried at amortised cost less any provision for impairment. The group uses settlement date accounting.

The group assesses on a regular basis whether there is any objective evidence that an investment held to maturity may be impaired. A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount which is equal to the present value of the expected future cash flows discounted at the financial instrument's original effective interest rate. The amount of the impairment loss for assets is calculated as the difference between the asset's carrying amount and the present value of the expected future cash flows of the financial instrument. When an impairment of assets is identified, the group recognises provisions through the profit and loss account line 'Provisions for securities' which are reported as a component of 'Other operating expense.'

#### 3.6.2 Securities Held for Trading and Available for Sale

The company carried no securities within the held for trading or available for sale categories as of 31 December 2003.

### 3.7. Property, Plant and Equipment and Intangible Fixed Assets

Property, plant and equipment are recorded at historical cost less depreciation. Depreciation is calculated on a straight line basis to write off the cost of each asset to their residual values over their estimated useful economic life. The estimated useful economic lives of significant classes of assets are set out below:

Description	Depreciation period in years
Buildings	45
Operating equipment	4 – 15
Software	4

All property, plant and equipment with an acquisition cost lower than CZK 40,000 and an estimated useful life shorter than one year are expensed in the year of acquisition.

Intangible fixed assets with an acquisition cost lower than CZK 60,000 and an estimated useful life shorter than one year are expensed in the year of acquisition.

The group periodically tests its assets for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

Repairs and maintenance costs are charged to operating expenses as incurred.

### 3.8. Leases

The group holds no assets under finance leases as of the balance sheet date.

### 3.9. Treasury Shares

Where the group purchases its own share capital or obtains rights to purchase its share capital, the consideration paid including any attributable transaction costs net of income taxes is shown as a deduction from total shareholders' equity. Gains and losses on sales of own shares are charged or credited to the treasury share account in the share capital.

### 3.10. Revenue Recognition

Revenues are recognised in the period when the services connected with the group's activities are rendered.

### 3.11. Income Tax

The group files its income tax return on an unconsolidated basis. Taxation is calculated in accordance with the provisions of the relevant legislation of the Czech Republic based on the profit recognised in the profit and loss account prepared pursuant to Czech Accounting Standards.

Deferred income tax is provided, using the balance sheet liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates effective in the periods in which the temporary tax difference is expected to be realised. The principal temporary differences arise from depreciation on property, plant and equipment, and provisions for receivables. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the tax assets can be utilised.

### 3.12. Provisions

Provisions are recognised to cover future obligations or expenditure whose purpose is known, their crystallisation is more likely than not, but are typically of uncertain timing or amount.

### 3.13. Fair Value of Financial Instruments

IAS 39 'Financial Instruments: Recognition and Measurement' requires management to disclose the estimated fair value of certain assets and liabilities in the financial statements. Financial instruments are generally defined as cash, an equity instrument in another enterprise, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, a financial liability to deliver cash or another financial asset to another enterprise, or a financial liability to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

As of 31 December 2003 and 2002, management of the group believes that the carrying amount of cash and cash equivalents, investments held to maturity, accounts receivable, accounts payable, accrued expenses and short-term debt approximates fair value because of the short maturity of these financial instruments.

## 4. CASH

Cash as of 31 December 2003 and 2002 consists of the following balances:

	2003 CZK '000	2002 CZK '000
Cash on hand	198	192
Cash in bank	30,331	26,263
<b>Total cash</b>	<b>30,529</b>	<b>26,455</b>

## 5. ACCOUNTS RECEIVABLE

Of the aggregate gross balance of trade accounts receivable of CZK 244,027 thousand as of 31 December 2003, CZK 242,392 thousand represents amounts due that arise from the group's principal operations.

Receivables as of 31 December 2003 and 2002 consist of the following balances:

	2003 CZK '000	2002 CZK '000
Trade receivables	242,392	44,112
Other receivables	1,635	4,141
Total receivables (gross)	244,027	48,253
Provision	-16,326	-18,386
<b>Total receivables (net)</b>	<b>227,701</b>	<b>29,867</b>

The increase in receivables in 2003 is due to the amount of CZK 209,100 thousand arising as a result of the sale of the Stock Exchange Palace building.

# Consolidated Financials

## 6. ADVANCES PROVIDED AND OTHER CURRENT ASSETS

	2003 CZK '000	2002 CZK '000
Deferred expenses	4,378	2,542
Accrued income	1,169	2,428
Estimated receivables	2,537	1,931
<b>Total</b>	<b>8,083</b>	<b>6,901</b>

## 7. INVESTMENTS HELD TO MATURITY

Investments held to maturity comprise:

	2003 CZK '000	2002 CZK '000
Government T-bills acquired from the SEGF's funds	83,026	71,221
Depository bill of exchange	144,984	151,333
<b>Total</b>	<b>228,010</b>	<b>222,554</b>

UNIVYC administers the funds included in the Stock Exchange Guarantee Fund ("SEGF") which is an association with non-legal entity status. UNIVYC is not a member of this fund. The funds of the association are deposited in standalone bank and asset accounts maintained in the name of UNIVYC. Pursuant to the Agreement of the SEGF Association and instruction from the SEGF Board, UNIVYC invests the associated funds in the monetary market in the form of term deposits or by purchasing Government treasury bills, thereby generating interest income.

These assets are included in the company's records due to the administration of the funding in standalone bank account maintained in the name of the company. All of the income generated from the debt securities referred to above are fully distributed among the individual members of the SEGF and the balance of current assets is stated at cost.

Investments held to maturity reported in the consolidated financial statements represent Government treasury bills acquired using the funds of the SEGF, which are integrated parts of the consolidated subsidiary, UNIVYC. The total amount of Government treasury bills as of 31 December 2003 was CZK 83,026 thousand and the total term deposits acquired from the SEGF's resources were CZK 3,448 thousand. The total amount of the SEGF's resources, together with current account funds, is CZK 86,477 thousand and is recorded as a component of accounts payable.

Set out below is the balance sheet of the Stock Exchange Guarantee Fund as of 31 December 2003:

Assets	CZK '000	Liabilities	CZK '000
Bank	3	Suppliers	2
Debt securities	83,026	Payables to members of the SEGF	86,474
– Current accounts	3	Accrued expenses	1
– Government treasury bills	83,026		
– Depository bills of exchange	3,448	<b>Total liabilities</b>	<b>86,477</b>
<b>Total assets</b>	<b>86,477</b>		

The group additionally holds depository bills of exchange totalling CZK 141,536 thousand.

	CZK '000
Depository bills – KB	127,700
Depository bills – HVB	13,836
Depository bills held by the SEGF	3,448
<b>Total depository bills</b>	<b>144,984</b>

## 8. PROPERTY, PLANT AND EQUIPMENT

Acquisition cost	Buildings	Land	Machinery and equipment	Vehicles	Fixtures and fittings	Other	Total
	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000
1 January 2003	358,824	71,856	183,166	3,974	11,753	27,530	657,103
Additions	-	-	18,885	-	103	2,864	21,852
Disposals	358,824	71,856	127,048	-	913	16,207	574,848
31 December 2003	-	-	75,003	3,974	10,943	14,187	104,107
Accumulated depreciation	Buildings	Land	Machinery and equipment	Vehicles	Fixtures and fittings	Other	Total
	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000
1 January 2003	246,947	-	170,912	2,761	10,716	12,133	443,469
Additions	295,944	-	11,930	654	698	1,491	310,717
Disposals	542,891	-	127,048	-	912	810	671,661
31 December 2003	-	-	55,794	3,415	10,502	12,814	82,525
Net book value	Buildings	Land	Machinery and equipment	Vehicles	Fixtures and fittings	Other	Total
	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000
1 January 2003	111,877	71,856	12,254	1,213	1,037	15,397	213,634
31 December 2003	-	-	19,209	559	441	1,373	21,582

As of 31 December 2003, the net book value of property, plant and equipment amounted to CZK 21,582 thousand. The property, plant and equipment principally comprise servers, computers and office equipment.

In the year ended 31 December 2003, the company sold the Stock Exchange Palace building together with the underlying plot of land and infrastructure. The assets were removed from the company's books as of 19 November 2003. A copy of the details held at the Real Estate Register as of 3 March 2004 shows Burzovní palác, s.r.o. as being the owner of the Stock Exchange Palace building. The impact of the sale on the company's profit or loss, without taking into account the real estate transfer tax, is as follows:

	CZK '000
Total net book value of assets sold	-187,626
Selling price	209,100
<b>Total impact on the Company's profit or loss</b>	<b>21,474</b>

In respect of the sale of the Stock Exchange Palace building, the company recognised a reserve for a real estate transfer tax amounting to CZK 14,041 thousand.

None of the group's assets were pledged as collateral as of 31 December 2003.

## 9. INTANGIBLE FIXED ASSETS

Acquisition cost	Software	Other	Total
	CZK '000	CZK '000	CZK '000
1 January 2003	79,364	209	79,573
Additions	1,791	6	1,797
Disposals	-	-	-
31 December 2003	81,155	215	81,370
<b>Accumulated amortisation</b>	<b>Software</b>	<b>Other</b>	<b>Total</b>
	CZK '000	CZK '000	CZK '000
1 January 2003	72,768	209	72,977
Additions	4,526	-	4,526
Disposals	-	-	-
31 December 2003	77,294	209	77,503
<b>Net book value</b>	<b>Software</b>	<b>Other</b>	<b>Total</b>
	CZK '000	CZK '000	CZK '000
<b>1 January 2003</b>	<b>6,596</b>	<b>6</b>	<b>6,602</b>
<b>31 December 2003</b>	<b>3,861</b>	<b>6</b>	<b>3,867</b>

As of 31 December 2003, the net book value of intangible fixed assets amounted to CZK 3,867 thousand. The principal component of the group's intangible fixed assets is software. Software primarily consists of operating system upgrades, development applications and software applications required to facilitate trading.

## 10. LONG-TERM RECEIVABLES

	2003	2002
	CZK '000	CZK '000
Long-term receivables	124	130
<b>Total</b>	<b>124</b>	<b>130</b>

In the year ended 31 December 2003, long-term receivables consisted of long-term advances.

## 11. PAYABLES

	31 December 2003		31 December 2002	
	Total	Past due	Total	Past due
	CZK '000	CZK '000	CZK '000	CZK '000
Trade payables	14,499	-	12,029	126
Payables to partners and associations	86,474	-	76,493	-
Payables to employees	3,189	-	3,497	-
Payables arising from social security	2,338	-	2,495	-
Other payables	7,963	-	26,386	-
<b>Total current payables</b>	<b>114,463</b>	<b>-</b>	<b>120,900</b>	<b>126</b>

Payables to partners and associations totalling CZK 86,474 thousand consist of unallocated payables to the members of the Stock Exchange Guarantee Fund. For details refer to Note 7.

Other payables primarily include guarantees deposited in respect of the securities borrowing service. Under the borrowing rules, the borrower is required to deposit cash in a special bank account of UNIVYC as collateral in respect of the borrowed securities.

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## 12. ACCRUED EXPENSES, DEFERRED INCOME AND ESTIMATED PAYABLES

	2003	2002
	CZK '000	CZK '000
Accrued expenses, deferred income and estimated payables	16,727	8,944
<b>Total</b>	<b>16,727</b>	<b>8,944</b>

Temporary accounts of liabilities amounted to CZK 16,727 thousand and CZK 8,944 thousand as of 31 December 2003 and 2002, respectively. These balances principally comprise unbilled services and estimated amounts in respect of bonuses.

## 13. LOANS

In the years ended 31 December 2003 and 2002, the group carried no long-term or short-term loans or borrowings.

## 14. DEFERRED TAX

Deferred income taxes are calculated on all temporary differences arising from the recognition of transactions for financial reporting and tax purposes using the currently enacted tax rate of 28 percent (2002: 31 percent).

Deferred income tax assets/(liabilities) are attributable to the following items:

	31 Dec 2003	31 Dec 2002
	CZK '000	CZK '000
Fixed assets	-1,004	21,073
Reserve for real estate transfer tax	3,931	-
Provisions against receivables	-	1,332
Other	796	-
<b>Deferred tax asset/(liability)</b>	<b>3,723</b>	<b>22,405</b>
Adjustment to reflect the anticipated unrealisable part of the deferred tax asset	-	22,405
<b>Impact on profit/(loss)</b>	<b>3,723</b>	<b>12,225</b>

In 2002, the group decided not to recognise the deferred tax asset in full because sufficient taxable profits are not expected to be available in future periods against which the temporary differences referred to above could be utilised. The deferred tax asset was recognised solely up to the amount of the deferred tax liability originated in 2001.

In 2003, the company recognised a deferred tax asset arising from temporary differences in respect of the valuation of fixed assets, the recognition of a reserve for real estate transfer tax and social security and health insurance payments relating to bonuses.

## 15. OTHER LONG-TERM PAYABLES

	2003	2002
	CZK '000	CZK '000
Other long-term payables	16,449	2,159
<b>Total</b>	<b>16,449</b>	<b>2,159</b>

Other long-term payables in 2003 consisted of long-term advance payments received and the reserve for real estate transfer tax, amounting to CZK 14,041 thousand.

## 16. SHARE CAPITAL, SHAREHOLDERS' FUNDS AND UNDISTRIBUTABLE RESERVES

The balance of the group's share capital recorded in the Register of Companies comprises 384,948 registered shares with a nominal value of CZK 1,000.

At the General Meeting held on 12 June 2002, shareholders resolved to decrease the issued share capital by CZK 1,900 thousand to CZK 383,048 thousand. On the basis of this resolution, the company filed a 'petition to initiate proceedings to record the resolution of the General Meeting in the Register of Companies' on 21 August 2002. The capital decrease was registered in the Register of Companies on 30 January 2004.

At the General Meeting held on 25 May 2003, shareholders resolved to decrease the issued share capital by CZK 17,307 thousand to CZK 365,741 thousand. On the basis of this resolution, the company filed a 'petition to initiate proceedings to record the resolution of the General Meeting in the Register of Companies' on 27 June 2003. As of the balance sheet date, this capital decrease has not as yet been dealt with by the Register of Companies maintained at the Municipal Court in Prague.

Shareholders' funds represent amounts for the parent company and its subsidiary which cannot be distributed to its owners. These amounts are determined based on legal requirements.

The net assets of the transformed Burzovní registr cenných papírů, s.r.o. were transferred to UNIVYC and according to the decision of the sole founder, the Prague Stock Exchange, CZK 7,000 thousand was established as the opening share capital. Pursuant to the decision of the sole shareholder dated 10 July 1998, the entity's share capital was increased from retained earnings by CZK 3,000 thousand to CZK 10,000 thousand. The difference between the cost of the company's shareholding and share capital of the subsidiary totalling CZK 9,900 thousand is reported within 'Undistributable reserves'.

Under a special regulation, the company is required to repurchase treasury shares at their nominal value at maximum unless the Stock Exchange Chamber approves the transfer of shares to a third party.

## Treasury Shares

Set out below is the development and structure of shares of stock exchange companies purchased and sold by the group:

(CZK '000)

Period to	Nominal value of shares	Purchase cost of shares
31 December 2000	18,207	18,207
31 December 2001	19,207	19,207
31 December 2002	22,686	22,686
May 2003	48,470	29,082
<b>31 December 2003</b>	<b>71,156</b>	<b>51,768</b>

## 17. REVENUES

The following table sets out the structure of revenues:

	2003		2002	
	Volume CZK '000	Structure %	Volume CZK '000	Structure %
Exchange charges	93,028	56.8	113,986	54.6
of which: membership fees	18,480	11.3	21,450	10.3
listing charges	12,506	7.7	15,871	7.6
dealing charges	62,042	37.8	76,665	36.7
UNIVYC membership fees	1,812	1	2,100	1
Charges for interrupted transactions	1,843	1	2,051	1
Sales from the settlement of over-the-counter trades	26,763	16.5	45,072	21.6
Sales from mediation of payments of revenues from securities	145	0.1	4,161	2.0
Sales from securities custody	93	0.1	762	0.4
Sales from other services	40,053	24.5	40,510	19.4
<b>Total revenues</b>	<b>163,737</b>	<b>100%</b>	<b>208,642</b>	<b>100%</b>

## 18. COSTS OF SERVICES AND MATERIAL

The following table sets out the structure of services:

	31 Dec 2003 CZK '000	31 Dec 2002 CZK '000
Consumed material	-1,425	-1,690
Repair and maintenance	-4,535	-7,535
Rent	-13,327	-24,480
Advisory services	-8,988	-3,261
Training, seminars and workshops	-2,061	-2,047
Services connected with the maintenance of a building	-5,659	-6,168
Other services	-12,185	-8,719
<b>Total</b>	<b>-48,180</b>	<b>-53,900</b>

## 19. STAFF COSTS

	31 Dec 2003 CZK '000	31 Dec 2002 CZK '000
Wages and salaries	-49,014	-47,995
Remuneration to the members of the bodies of the company and the association	-2,801	-3,359
Social security costs	-17,124	-16,701
Social costs	-3,606	-3,559
<b>Total</b>	<b>-72,545</b>	<b>-71,614</b>
<b>Average headcount</b>	<b>71</b>	<b>78</b>

## 20. DEPRECIATION AND AMORTISATION

	31 Dec 2003 CZK '000	31 Dec 2002 CZK '000
Depreciation of property, plant and equipment	16,803	-198,195
Amortisation of intangible fixed assets	4,526	-12,843
Net book value of disposed tangible and intangible fixed assets	-	-27
<b>Total</b>	<b>-21,329</b>	<b>-211,065</b>

The decrease in the depreciation charges is attributable to the one-off write-off of the building in 2002, amounting to CZK 172,212 thousand.

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## 21. OTHER OPERATING INCOME/(EXPENSES)

Other operating income/(expenses) are as follows:

	31 Dec 2003 CZK '000	31 Dec 2002 CZK '000
Other operating income	9,518	11,179
Release of provisions	-10,048	4,285
Proceeds of the sale of fixed assets and material	209,139	455
Taxes and fees	-136	-360
Charge for provisions, reserves and accruals to operating expenses	3,669	-2,975
Other operating expenses	-6,354	-12,482
Net book value of sold fixed assets and material	-187,658	-83
<b>Total</b>	<b>18,130</b>	<b>-19</b>

The year-on-year increase in other operating income and expenses is due to the completed sale of the Stock Exchange Palace building, the impact of which on the group's profit/(loss) is disclosed in Note 8.

## 22. OTHER FINANCIAL INCOME AND EXPENSES

Other financial income/(expenses) are as follows:

	31 Dec 2003 CZK '000	31 Dec 2002 CZK '000
Foreign exchange gains	152	301
Other financial income	3,643	4,310
Foreign exchange losses	-176	-808
Other financial expenses	-1,124	-2,792
<b>Total</b>	<b>2,495</b>	<b>1,011</b>

## 23. INCOME TAX

The following table sets out income tax balances:

	31 Dec 2003 CZK '000	31 Dec 2002 CZK '000
Income tax payable	13,199	15,816
Deferred tax	-3,723	-12,225
<b>Total</b>	<b>9,476</b>	<b>3,591</b>

### 23.1. Income Tax Calculation

	31 Dec 2003 CZK '000	31 Dec 2002 CZK '000
<b>Profit/(loss) before tax</b>	<b>42,308</b>	<b>-126,945</b>
Theoretical tax calculated at a tax rate of 31 percent	13,116	-
Income not taxable	-174,972	-11,924
Expenses not deductible for tax purposes	171,097	193,904
Other	3,928	-27,183
Adjusted tax base	42,361	27,852
Income tax expense	13,139	8,634
Additional income tax payments	60	-
Total income tax expense	13,199	8,634
Movements in deferred taxes	-3,723	-12,225
<b>Total income taxation</b>	<b>-9,476</b>	<b>-3,591</b>

## 24. RECONCILIATION OF RETAINED EARNINGS UNDER CZECH ACCOUNTING STANDARDS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

### 24.1. Profit for the Year Ended 31 December 2003

	2003 CZK '000	2002 CZK '000
<b>Consolidated profit reported under Czech Accounting Standards</b>	<b>39,069</b>	<b>-123,081</b>
<b>Add /(deduct):</b>		
Adjustment of other reserves	-6,237	-6,113
Deferred tax impact	-	-1,335
Other	-	-7
<b>Consolidated loss reported under IFRS</b>	<b>32,832</b>	<b>-130,536</b>

## 24.2. Retained Earnings and Capital Funds

	2003 CZK '000	2002 CZK '000
<b>Retained losses and capital funds under Czech Accounting Standards</b>	<b>-7,363</b>	<b>115,714</b>
<b>Add /(deduct):</b>	<b>-</b>	<b>-</b>
Adjustment of other reserves	6,237	12,344
FX differences	-	80
Deferred tax impact	-	1,335
<b>Retained earnings and capital funds under IFRS</b>	<b>-1,126</b>	<b>129,473</b>
Profit for the period	32,832	-130,536
<b>Total</b>	<b>31,706</b>	<b>-1,063</b>

## 24.3. Development of Retained Earnings/(Losses) in 2003

	2003 CZK '000
<b>Retained earnings</b>	<b>-71,790</b>
Retained earnings/(losses) brought forward	-
Profit for the period	32,832
Allocation from the reserve fund	22,662
<b>Retained earnings/(losses) as of 31 December 2003</b>	<b>-16,296</b>

## 25. ESTIMATED FAIR VALUE OF ASSETS AND LIABILITIES OF THE GROUP

Fair value of financial instruments is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Where available, fair value estimates are made based on quoted market prices. However, no readily available market prices exist for a significant portion of the group's financial instruments. In circumstances where the quoted market prices are not readily available, the fair value is determined using estimates, discounted cash flow models or other pricing models as appropriate. Changes in underlying assumptions, including discount rates and estimated future cash flows, significantly affect the estimates. Therefore, the calculated fair market estimates cannot be realised in a current sale of the financial instrument.

In estimating the fair value of the group's financial instruments, the following methods and assumptions were used:

### (a) Cash and short-term receivables from financial institutions

The carrying values of cash and short-term receivables are generally deemed to approximate their fair value.

### (b) Investments held to maturity

Carrying values of short-term securities carried in the 'Held to maturity' portfolio are generally deemed to approximate their fair values.

## 26. FOREIGN CURRENCY POSITION

The table below provides an analysis of the group's main currency exposures:

	Czech crowns CZK '000	EUR CZK '000	USD CZK '000	Other currencies CZK '000	Total CZK '000
<b>Assets</b>					
Cash	30,370	159	-	-	30,529
Accounts receivable	227,701	-	-	-	227,701
Advances provided and other current assets	8,083	-	-	-	8,083
Investments held to maturity	228,010	-	-	-	228,010
Property, plant and equipment and intangible fixed assets (net)	25,449	-	-	-	25,449
Long-term receivables	3,847	-	-	-	3,847
<b>Total assets</b>	<b>523,460</b>	<b>159</b>	<b>-</b>	<b>-</b>	<b>523,619</b>
<b>Liabilities</b>					
Accounts payable	114,368	95	-	-	114,463
Accrued expenses	16,727	-	-	-	16,727
Taxes payables and other liabilities	17,643	-	-	-	17,643
Shareholders' equity	374,786	-	-	-	374,786
<b>Total liabilities</b>	<b>523,524</b>	<b>95</b>	<b>-</b>	<b>-</b>	<b>523,619</b>
<b>Net foreign currency position as of 31 December 2003</b>	<b>-64</b>	<b>64</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Consolidated Financials

## 27. INTEREST RATE RISK

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument, therefore, indicates to what extent it is exposed to interest rate risk. The table below provides information on the extent of the group's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that reprice to a market rate of interest before maturity, the next repricing date. Those assets and liabilities that do not have a contractual maturity date or are not interest-bearing are grouped in the 'maturity undefined' category.

	Up to 3 months CZK '000	3 months to 1 year CZK '000	1 year to 5 years CZK '000	Over 5 years CZK '000	Maturity undefined CZK '000	Total CZK '000
<b>Assets</b>						
Cash	15,000	966	-	-	14,563	30,529
Accounts receivable (net)	-	-	-	-	227,701	227,701
Advances provided and other current assets	-	-	-	-	8,083	8,083
Investments held to maturity	166,871	61,139	-	-	-	228,010
Property, plant and equipment and intangible fixed assets (net)	-	-	-	-	25,449	25,449
Long-term receivables	-	-	-	-	3,847	3,847
<b>Total assets</b>	<b>181,871</b>	<b>62,105</b>	<b>-</b>	<b>-</b>	<b>279,643</b>	<b>523,619</b>
<b>Liabilities</b>						
Accounts payable	-	-	-	-	114,463	114,463
Accrued expenses	-	-	-	-	16,727	16,727
Taxes payables and other liabilities	-	-	-	-	17,643	17,643
Shareholder's equity	-	-	-	-	374,786	374,786
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>523,619</b>	<b>523,619</b>
<b>Net interest rate risk exposure as of 31 December 2003</b>	<b>181,871</b>	<b>62,105</b>	<b>-</b>	<b>-</b>	<b>-243,976</b>	<b>-</b>

## 28. LIQUIDITY RISK

Liquidity risk is a measure of the extent to which the group may be required to raise funds to meet its commitments associated with financial instruments. The table below provides an analysis of assets, liabilities and shareholders' equity into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. Those assets and liabilities that do not have a contractual maturity date are grouped together in the 'maturity undefined' category.

	On demand CZK '000	Up to 3 months CZK '000	3 months to 1 year CZK '000	1 year to 5 years CZK '000	Over 5 years CZK '000	Maturity undefined CZK '000	Total CZK '000
<b>Assets</b>							
Cash	-	15,000	966	-	-	14,563	30,529
Accounts receivable (net)	-	17,019	210,682	-	-	-	227,701
Advances provided and other current assets	-	-	-	-	-	8,083	8,083
Investments held to maturity	-	166,871	61,139	-	-	-	228,010
Property, plant and equipment and intangible fixed assets (net)	-	-	-	-	-	25,449	25,449
Long-term receivables	-	-	-	-	-	3,847	3,847
<b>Total assets</b>	<b>-</b>	<b>198,890</b>	<b>272,787</b>	<b>-</b>	<b>-</b>	<b>51,942</b>	<b>523,619</b>
<b>Liabilities</b>							
Accounts payable	-	20,146	-	-	-	94,317	114,463
Accrued expenses	-	8,237	2,133	-	-	6,357	16,727
Taxes payables and other liabilities	-	1,194	-	-	-	16,449	17,643
Shareholders' equity	-	-	-	-	-	374,786	374,786
<b>Total liabilities</b>	<b>-</b>	<b>29,577</b>	<b>2,133</b>	<b>-</b>	<b>-</b>	<b>491,909</b>	<b>523,619</b>
<b>Net liquidity risk as of 31 December 2003</b>	<b>-</b>	<b>169,313</b>	<b>270,654</b>	<b>-</b>	<b>-</b>	<b>-439,967</b>	<b>-</b>

## 29. POST BALANCE SHEET EVENTS

No significant events occurred after the balance sheet date which would have a financial impact on the group.

# Closing Information

## Resolution of the 12<sup>th</sup> Ordinary General Meeting of Shareholders

The shareholders present at the 12<sup>th</sup> Ordinary General Meeting of Shareholders of the Prague Stock Exchange held on 24 June 2004 discussed and approved:

### • Report on the Exchange's Business Activities and the State of its Assets in 2003

They were also acquainted with the Report of the Supervisory Board and the Auditor's Report on the Company's financial statements and consolidated financial statements.

### • Financial statements for 2003 and decision on the distribution of profit

The Company ended the year 2003 with a pre-tax profit of CZK 47,301,000. An income tax of CZK 12,775,000 will be paid from the generated profit, as well as an additional income tax for 2001 in the amount of CZK 60,140 CZK and the deferred income tax of CZK 3,740,000. The resulting profit for the year totals CZK 38,207,000. It will be distributed as follows:

- after-tax profit for the current year	CZK 38,207,000
- statutory allocation to the reserve fund	CZK 1,911,000
- undistributed profit for the current year	CZK 36,296,000

The retained profit of previous years totalling CZK 56,544,000 and the retained profit of the current year of CZK 36,296,000 will be used for the compensation of the loss of CZK 123,566,000 incurred in previous years.

### • Consolidated financial statements for 2003

The Prague Stock Exchange and UNIVYC ended the year with a pre-tax profit of CZK 42,308,000.

### • Principles governing the Exchange's activities in 2004

#### • Proposal to decrease the registered capital

In accordance with §161(b) of Act No. 513/1991 Coll., the Commercial Code, the PSE's registered capital has been decreased by CZK 51,949,000. The decrease in the registered capital is based on the fact that the Exchange must withdraw its own shares which it held for over three years, and decrease the registered capital by their nominal value.

The stated amount of the registered capital is based on the amount entered in the Commercial Register, because the decrease in the registered capital by CZK 17,307,000 approved by the PSE's 11<sup>th</sup> Ordinary General Meeting was not entered in the Commercial Register yet. The second proposal for the decrease in the registered capital was submitted on 3 June 2004.

After the decrease in the registered capital by CZK 17,307,000 is entered in the Commercial Register, the PSE's registered capital will drop to CZK 365,741,000. After the decrease in the registered capital by CZK 51,949,000 is entered, the Exchange's registered capital will drop to CZK 313,792,000.

#### • Changes in the composition of the Exchange Chamber

The General Meeting noted the resignation of Dušan Baran as at 29 February 2004, Pavel Hollmann as at 19 May 2004 and Tomáš Zralý as at 23 June 2004.

Jan Blaško and Jan Sýkora were re-elected for another three-year period.

The following new members were elected to the Exchange Chamber: Daniel Heler, co-opted as a member to the Exchange Chamber on 24 March 2004, and Petr Koblic, co-opted as a member to the Exchange Chamber on 23 June 2004.

#### • Changes in the composition of the Supervisory Board

The General Meeting noted the resignation of Miroslav Fučík as at 25 June 2003 and Tomas Spurný as at 21 April 2004.

Petra Wendelová, Věslav Michalik, Martin Aschenbrenner, Jiří Klumpar and Jan Struž were re-elected for another three-year period.

Roman Klaban, co-opted to the Supervisory Board on 21 April 2004, was elected to the Supervisory Board as a new member.

#### • Changes in the Tariff of Exchange Fees came into effect on 25 June 2004.

# Closing Information

## Glossary of abbreviations and terms

### **ATS**

Automated Trading System. A system facilitating the conclusion, registration and settlement of Exchange trades (abbreviated in Czech as "AOS")

### **auktion**

A method of automated trading on the Exchange's prompt market which is based on the accumulation of orders to buy and sell securities. A price is fixed at a certain moment and orders are matched.

### **automatic trades**

A type of Exchange trades on the prompt market which are based on automated electronic processing of orders in accordance with the appropriate algorithms defined in ATS.

### **continual**

A method of automatic trading in which a trade is concluded on the basis of continuous input of orders to buy and sell securities. The principle of price and then chronological priority is applied when matching orders.

### **Central Depository of Securities (CD)**

Central Depository which is governed by the Capital Markets Undertaking Act, will combine the registration (currently ensured by the Securities Centre) and the settlement of securities (currently ensured mostly by UNIVYC, a.s.) in one institution.

### **issuer**

A company which issued securities.

### **market maker**

An Exchange member who has concluded a contract with the Exchange to work as a market maker and which is obliged during the open phase of SPAD to continually quote all securities on whose behalf he acts as a market maker.

### **prompt market**

A securities market to which the securities are supplied against payment, the counter-balance to a derivatives market.

### **PX-D**

A share market index which describes development in prices of the most liquid Exchange issues.

### **PX-GLOB**

A global index based on all registered share issues, including investment funds and units whose price was fixed at the latest during the previous trading session.

### **PX 50**

The official Exchange index, based on maximum 50 issues selected on the basis of their market capitalisation and liquidity, and considering their sector classification. At the beginning of 2004, the index base comprised 16 issues.

### **SeC**

Securities Commission – the state body responsible for supervising the Czech capital market and ensuring compliance with applicable rules and regulations.

### **SC**

Securities Centre, an institution established by the state which keeps records of securities and manages accounts of individual securities owners.

### **SPAD**

System for Support of Share and Bond Markets, a trading segment based on the quotation of prices by market makers.

### **UNIVYC**

The Exchange's subsidiary which ensures settlement of trades concluded on the Exchange.

## Statutory Declaration

We hereby declare that data and information stated in the Prague Stock Exchange's Annual Report for 2003 comply with the real facts and that no known fundamental circumstances, which could affect the accurate and correct assessment of the PSE, were omitted.

### **Vladimír Ezr**

Deputy General Secretary and Service Department Director responsible for pages 1 - 34 and 67 - 69 of the PSE's Annual Report for 2003

### **Petr Horáček**

Finance and Administration Department Director responsible for pages 35 - 66 of the PSE's Annual Report for 2003

## Contact information

### ADDRESS

Rybná 14  
P.O. BOX 49  
110 05 Prague 1

### WWW SERVER

<http://www.pse.cz>

### FTP SERVER

<ftp://ftp.pse.cz>

**ID No.:** 47115629

**Tax ID No.:** CZ47115629

### Banking information

Komerční banka, a. s., branch Prague, account No. 57008-011/0100

### Entry in the Commercial Register

at the Prague Municipal Court, File B., Insert 1773

## MANAGEMENT

### **Pavel Hollmann (until 31 May 2004)**

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### **Vladimír Skalný**

Inspection Department Director  
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Fax: +420/221 833 036

Note: W.e.f. 1 May 2004, the post of General Secretary was replaced with the post of General Director in compliance with the Capital Markets Undertaking Act.

