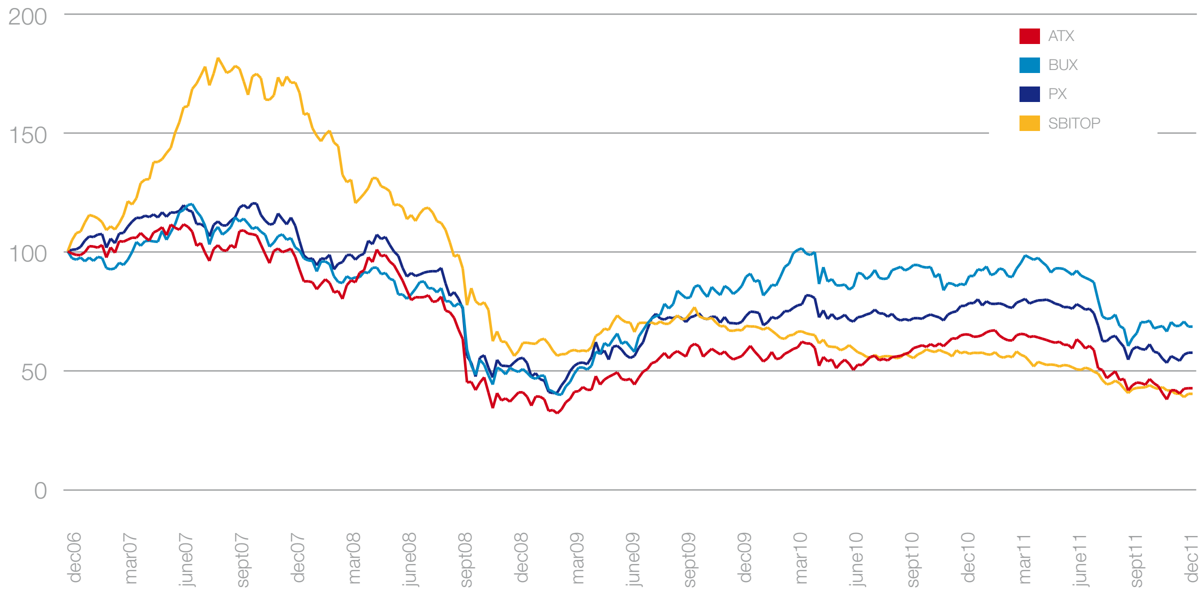
cee stock exchange group

2011: Annual Report
The CEE Stock Exchange Group and its Capital Markets 2011/12

PRAGUE STOCK EXCHANGE
BURZA CENNÝCH PAPÍRŮ PRAHA

The ATX closed the year 2011 at 1,891.68 points, down by -34.87% versus year-end 2010.

The BUX reached 16,974.24 points by 31 December 2011, i.e. was down -20.41% y/y.



On 31 December 2011, the PX closed at 911.1 points. This was a loss of -25.61%.

By the end of the year 2011, the SBITOP recorded negative growth of 30.67% to the previous year and closed at 589.58 points.

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2011: A Year of Challenges

Progress in several long-term projects

It has been more than two years since the four stock exchanges of Budapest, Ljubljana, Prague, and Vienna institutionalized their cooperation by forming the CEE Stock Exchange Group (CEESEG). The Group's second full year of operation was dedicated to the realization of several medium to long-term projects, such as cross membership, but also to broadening the product range, especially in the areas of data vending and indices.

After implementation of the Xetra® trading system (in operation at the Vienna Stock Exchange since 1999) at the Ljubljana Stock Exchange (LJSE) in December 2010, the LJSE started to attract more attention from international market participants and new remote members joined the exchange in 2011. The Group's smallest member in terms of market capitalization is clearly benefitting from its integration into international capital markets and, consequently, from higher visibility.

After bundling the data vending operations of all four Group member exchanges in 2010, the next step was to enlarge the data vending network to include the Belgrade Stock Exchange in 2011. It was a record year for the index business – the Group launched 19 new indices, most of which were CEE indices developed in response to market demand.

Highlights from Budapest, Ljubljana, Prague and Vienna

Numerous projects were successfully brought to completion at each of the four member exchanges. The highlight of the Budapest Stock Exchange (BSE) in 2011 was the launch of its new BETa Market on 15 November. Investors can trade the most popular and liquid foreign, mostly European, equities on this segment. The BSE also saw six new listings in 2011: Biomedical Plc., FuturAqua Plc., Masterplast Plc., Optisoft Plc., Plotinus Plc. and Visonka Plc.

The Slovene capital market has profited greatly from its integration into the CEE Stock Exchange Group and connection to the Xetra® trading system in December 2010. Since the changeover to the new system, new international members have been admitted to trading on the Ljubljana Stock Exchange. The Ljubljana Stock Exchange organized many activities for Slovene capital market stakeholders to encourage collaboration and boost growth. The aim was to achieve Slovenia's greater alignment with international markets.

In May 2011, two new bond issues were admitted to the Free Market of the Prague Stock Exchange (PSE): a municipal bond issued by the city of Prague and the first corporate bond of CETELĚM CR, a.s. Another milestone was reached in August when PSE welcomed the new shares issued by E4U, a.s. (Energy for You). The company's shares are traded on the Free Regulated Market. The stock is included in the PX-GLOB index and is registered with the Central Securities Depository in Prague.

One of the largest public offerings in terms of issuing volume was carried out in April 2011 on the Vienna Stock Exchange. Austria Metall AG (AMAG) joined the prime market of the Vienna Stock Exchange on 8 April: It was the first IPO in Vienna since the outbreak of the financial and economic crisis. The exchange's secondary market also proved very lively: One SPO and several capital increases raised a total of EUR 1.44 billion in 2011.

Harsh market environment

Although international capital markets proved quite resilient to major global events in the first half of 2011 (Japan, Arab uprisings) and continued the recovery commenced in 2010 quite unimpressed, the second half was overshadowed by the spread of new fears triggered by the persistent sovereign debt crisis (above all Greece) and by the slowing of the economic recovery and the numerous downward revisions of growth forecasts. As a result, sentiment was rather gloomy in the second half of 2011. Capital markets were rocked once again and stocks temporarily plunged to new lows.

In this harsh market environment it is extremely difficult to make valid forecasts. In spite of this, there are several long-term factors that favour the Central and East European region and make it much better positioned to overcome the current crisis: These factors include growth rates that are higher than in the euro zone over the long term, healthy economic fundamentals and lower levels of indebtedness. This is why analysts remain cautiously optimistic about the CEE markets on the short and medium-term horizon despite the present market environment.

Four Stock Exchanges – One Strong Alliance

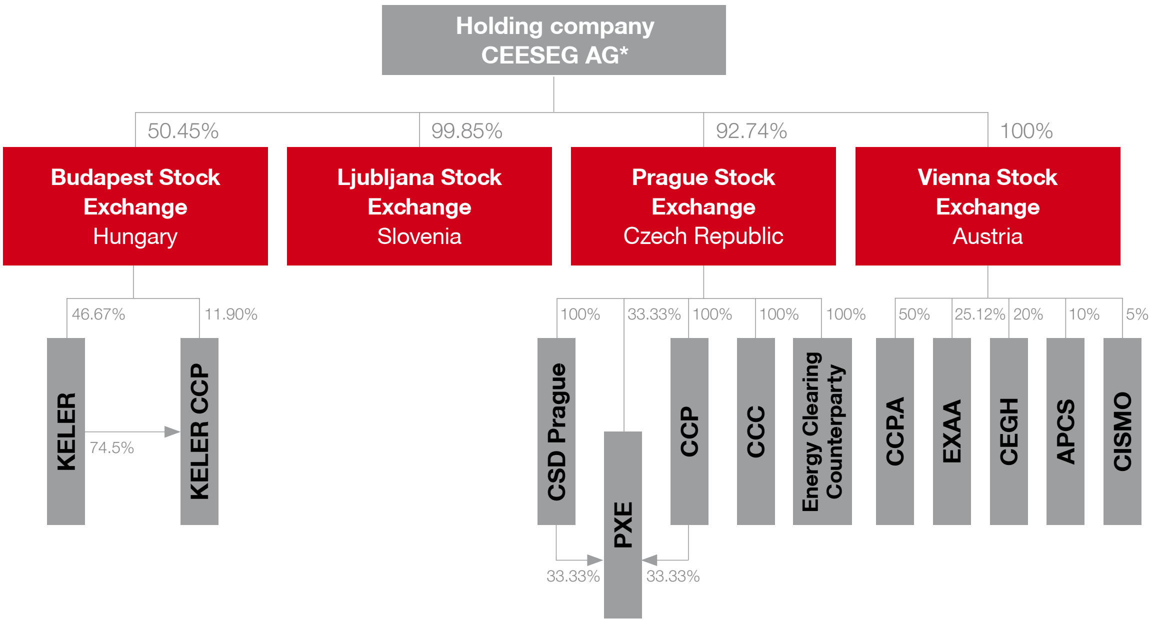
The CEE Stock Exchange Group comprises the four stock exchanges of Budapest, Ljubljana, Prague and Vienna. CEESEG is the largest group of exchanges in the Central and Eastern European region. The primary goal of the Group is to improve liquidity on the member stock exchanges by providing easier access to the local markets and products.

The holding company CEESEG AG

The four stock exchanges are equal subsidiaries of the central holding company, CEESEG AG, which is responsible for the Group's strategic and financial management as well as for the administration of the subsidiaries. The business operations of the four regional markets are run by the member exchanges under their independent management.

At the international level, CEESEG coordinates joint measures to increase the visibility of the four markets and to acquire professional market participants such as data vendors and index licensees, institutional investors and trading participants for the member exchanges.

Therefore, the organizational structure of the CEE Stock Exchange Group combines the benefits of the home market principle – listed companies continue to profit from wider recognition and greater media interest in their own countries – and the demands of the international capital markets.



* Ownership structure: 52.59% Austrian banks, 47.41% issuers of the Vienna Stock Exchange

Joint Activities at the International Level

The four CEESEG partner exchanges have already finalized a number of short-term and medium-term projects that are aimed at moving the regional markets into the focus of international market participants. Major milestones include the bundling of data dissemination for all Group members in 2010 and the implementation of the Xetra® trading system – which has been in use at the Vienna Stock Exchange since 1999 – at the Ljubljana Stock Exchange (LJSE) in December 2010.

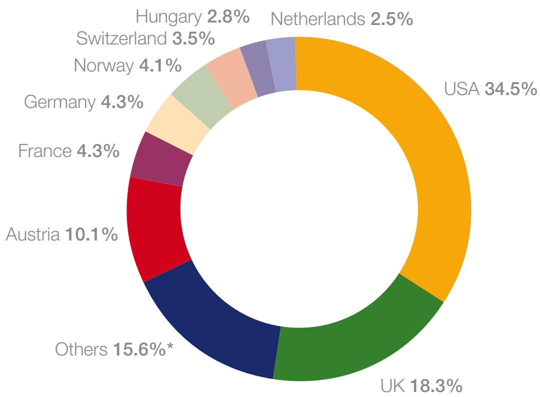
In 2011, we worked intensely on the implementation of several medium to long-term projects that will advance the integration of the Group. These activities included the preparations to install Xetra® at the stock exchanges of Prague and Budapest.

In accordance with the Xetra® implementation plan, a key element of our efforts is to enable the cross membership of national and international trading members. The stock exchanges of Vienna and Ljubljana, where Xetra® is already in use, were the first ones to commence with cross membership. Consequently, the number of foreign trading members on the LJSE has already increased. Cross membership involves the harmonization of all relevant membership contracts and the standardization of all trading rules (as far as possible).

Furthermore, we are currently also evaluating the possibilities of setting up a common clearing system for all CEESEG members. Our goal is to harmonize the market segments, the general terms and conditions of business as well as clearing and settlement. Simplified access to the four stock exchanges will make it easier to acquire international trading participants and will also help to boost trading volumes and liquidity.

Road shows on all major financial markets

According to a study by the financial information provider, Ipreo, the top investors that own shares in the companies listed on the member exchanges of the CEE Stock Exchange Group are primarily international institutional investors from the US (34.5%), UK (18.3%), Austria (10.1%), France and Germany (4.3% each).



* Among others, Poland (2.2%), the Czech Republic (1.4%), Slovenia (1.4%), Sweden (1.3%), Denmark (1.3%)
Source: Ipreo

The study highlights the importance of road shows to the major financial markets to promote international presence. Since 2003, the Vienna Stock Exchange has been organizing investor conferences jointly with banking partners and listed companies at all major financial centres of the world. The companies listed on the other CEESEG member exchanges have been participating in the road shows since the formation of the Group in 2009.

In 2011, a total of seven investor conferences took place in Tokyo, London, Paris, Stockholm, New York (2x), and Frankfurt. 63 companies participated, and some 350 meetings with approximately 220 investors were held.

An extensive road show programme to major international financial centres is planned again for 2012.

One Data Feed, Nine Markets

The CEE Stock Exchange Group provides professionally processed real-time price data and market depth data from the regional financial markets via the ADH data feed of the Vienna Stock Exchange. Vendors have easy access to the market data of all four CEESEG partner exchanges, i.e., Budapest, Ljubljana, Prague and Vienna.

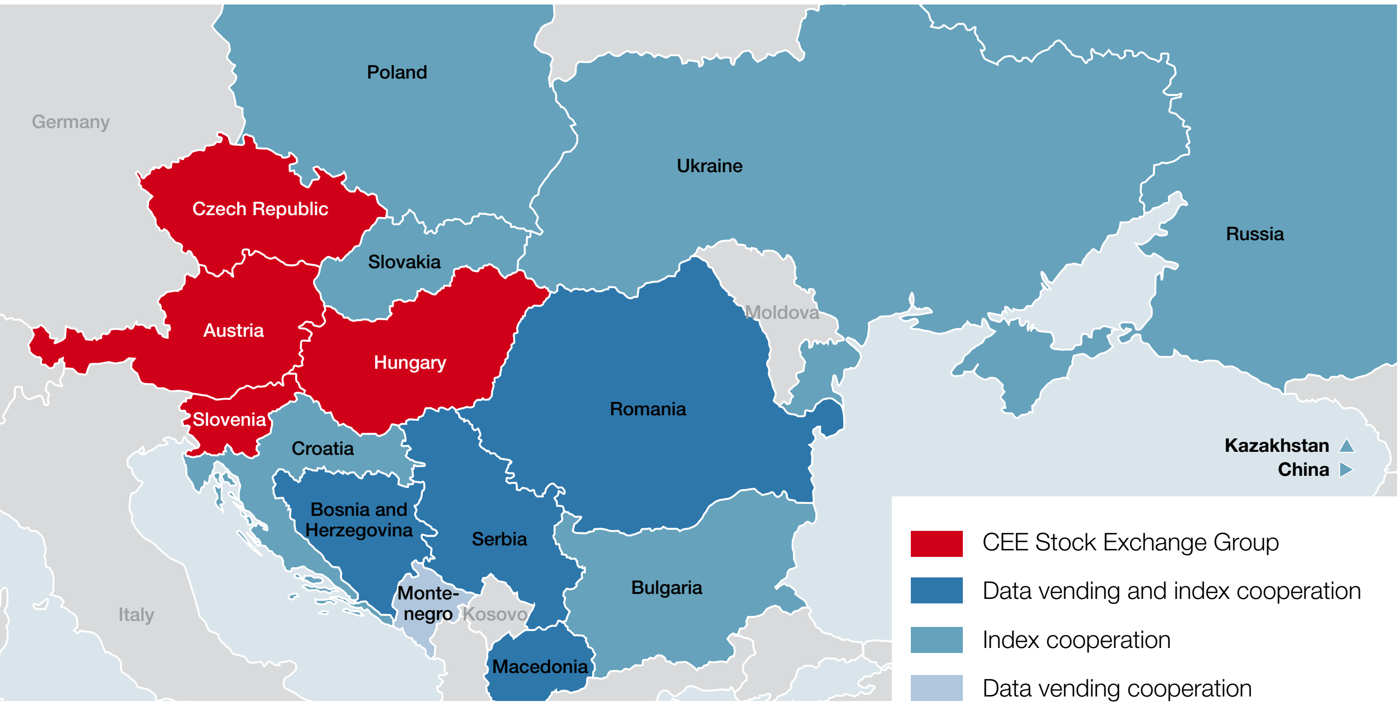
In March 2011, the CEE Stock Exchange Group expanded its data vending network to welcome the Belgrade Stock Exchange as a new member of the data alliance. Currently, the price data of five additional exchanges from the region of Central and Eastern Europe which cooperate with CEESEG – Banja Luka, Belgrade, Bucharest, Macedonia and Sarajevo – have also been integrated into the ADH data feed. This creates easy access for vendors to the market data of nine CEE stock exchanges via a single access point.

With the signing of an agreement on data vending cooperation with the Montenegro Stock Exchange in November 2011, a tenth market will be included shortly. Data vendors will be able to subscribe to the price data of the Montenegro Stock Exchange with the implementation of the data into the ADH data feed of the Vienna Stock Exchange (scheduled for 2Q 2012). They will also be able to use their existing lines to receive the data, which will have the same format and structure as for all other market data disseminated via ADH.

Additionally, the data of three power exchanges are also included: EXAA Energy Exchange Austria, CEGH Gas Exchange of the Vienna Stock Exchange and POWER EXCHANGE CENTRAL EUROPE in Prague.

CEESEG has already seen a lot of positive response to its "one-stop-shopping" approach that fits clients' demands and the current trend towards lean, cost-saving, and more efficient solutions. Data sent via the ADH data feed is currently viewed on over 26,000 applications in trading rooms around the world.

- One data feed for nine markets saves time and money because it requires only one technical connection
- Less administrative work and lower costs through "one-stop shopping"
- Standardized data format



Index Portfolio

The CEE Stock Exchange Group is well-known worldwide as the expert for indices with a reference to Central and Eastern Europe and the CIS (Commonwealth of Independent States). At present, it calculates and disseminates more than 70 indices that represent the national, regional and sector-specific developments in CEE and CIS. Within the CEE Stock Exchange Group, this task is carried out by the Vienna Stock Exchange, which has worked in the area of index licensing for many years and has gained a solid position as a global player based on its index expertise.

15 markets covered by CEESEG's indices

The CEE Stock Exchange Group specializes in index calculation for the markets of Austria, Eastern and Southeast Europe as well as Russia. Overall, the CEE Stock Exchange Group covers 15 markets with its range of indices and is globally the most widely recognized index provider for the region.

Apart from the national, regional and sector indices, CEESEG also calculates other theme and style indices like fundamental indices, short indices, total return indices, dividend point indices, and top dividend indices for the region as well as the sustainability indices CEERIUS and VÖNIX.

Broad range of Group indices

Since the day of the official start of the CEE Stock Exchange Group several blue chip indices have been launched that comprise companies listed on the stock exchanges of Budapest, Ljubljana, Prague, and Vienna: The CEETX and the CEESEG Composite Index, e.g., were launched on the day of the Group's official start. The CEETX is a tradable index composed of the 25 most actively traded stocks with the highest market capitalization of the member exchanges. The CEESEG Composite Index, on the other hand, is a benchmark index made up of the stocks of the four leading indices of the member exchanges (ATX, BUX, PX and SBITOP) and tracks the development of the capital markets of the Group.

2011 was a particularly active year for indices and saw CEESEG's index portfolio broaden by 19 new indices, including, among others, the CEETX Fundamental – created in response to substantial demand in the market – four CEESEG Sector Indices (basic industries, consumer products and services, financials, industrial goods and services) as well as the three CEESEG Top Dividend Indices.

Underlying for structured products with a reference to CEE

A total of some 135 issuers use the indices calculated and disseminated by the CEE Stock Exchange Group as underlying for certificates, warrants, ETFs (exchange-traded funds) and other structured products. Worldwide, a major part of all structured products with a CEE reference is based on these indices.

In-depth information

The performance of a major part of the indices of CEESEG can be viewed at www.indices.cc. For professional market participants, the Internet platform also offers extensive information on the indices such as index adjustments, index committee decisions, watchlists, and a trading calendar.

- More than 70 indices from a single source
- Globally recognized as an expert for CEE and CIS indices
- Excellent know-how of regional capital markets
- Attractive underlying for structured products

Hungary: Macroeconomic Outlook

ERSTE GROUP

After the recovery initially gathered momentum in 1Q 2011, prospects deteriorated for the Hungarian economy. It is now expected to slide into recession in 2012. A lot will depend on the possible deal with the IMF and the European Commission, which should be finalized in 1H 2012. The interest rate spreads, the relatively balanced budget and the external trade surplus may strengthen Hungarian markets later in 2012.

Country at a glance

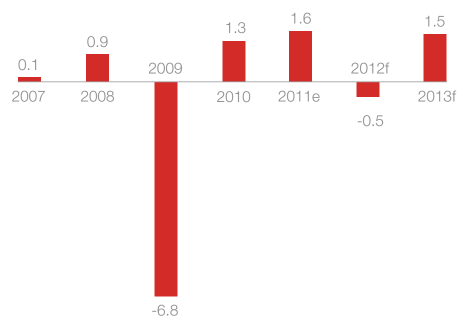
Official Language	Hungarian
Capital	Budapest
Area	93,036 sqkm
Population*	9,985,722 (2011)
Nominal GDP*	EUR 92,552.5m (2010)
GDP per Capita in PPS (EU-27 = 100)*	65 (2010)
Currency	1 Forint = 100 Fíller
Time Zone	UTC+1 CET UTC+2 CEST (March to October)
Internet Suffix	.hu
Country Code	+36

* Source: Eurostat

Economic outlook

After real GDP increased by 1.3% in 2010, the figure for 2011 economic growth is expected to come in at 1.6%. Even though 3Q 2011 GDP figures (+1.4% y/y, +0.5% q/q) were in line with our expectations, the outlook is not too encouraging. On the production side, strong growth in the agricultural sector lifted the q/q figure into the black, while all other sectors remained in the red. Industry declined by 0.7% q/q, while construction plummeted by 3.6% q/q. As regards the end consumer segment, household consumption might show some growth, but investments fell 2.2% q/q. Net exports continued to contribute substantially to growth again. As for 2012, the approximately 3% of GDP fiscal consolidation, high unemployment rates, a poor lending outlook and therefore gloomy prospects for investments and consumption will push domestic demand back down. Net exports might again be the only factor making a positive contribution, but we expect real GDP to decline by 0.5% in 2012.

Real GDP (growth y/y %)



For 2011, the trade balance may be around 7% of GDP. The current account is forecast to show a surplus of 1.4% of GDP in 2011, and could exceed 2% in 2012. Due to the funds from the European Union, the net financing position should be even higher this year and is expected to remain strong in 2013 as well.

After unemployment peaked at 11.2% on average in 2010, some improvement was seen in early 2011 in private sector employment. A gradual increase in the gainfully employed was

Economic and fiscal data	2007	2008	2009	2010	2011e	2012f	2013f
Real GDP (growth y/y %)	0.1	0.9	-6.8	1.3	1.6	-0.5	1.5
Fixed capital formation (growth y/y %)	1.7	2.9	-8.0	-5.6	-2.5	-3.0	2.0
Private consumption (growth y/y %)	-1.7	0.6	-6.8	-2.2	-0.3	-2.5	0.3
Trade balance (% of GDP)	-0.1	-0.2	4.1	5.6	7.2	8.7	9.3
Current account balance (% of GDP)	-7.3	-7.3	-0.2	1.1	1.4	2.9	2.8
CPI (average % y/y)	8.0	6.1	4.2	4.9	3.9	5.2	2.6
Unemployment (%)	7.4	7.8	10.0	11.2	10.9	11.2	11.1
General budget balance (% of GDP)	-5.0	-3.8	-4.4	-3.8	3.7	-3.4	-3.5
Public debt (% of GDP)	67.2	72.9	79.7	81.3	80.2	77.0	76.5
Foreign debt to GDP (%)	103.2	116.1	146.2	139.0	132.0	124.5	117.1
Industrial production (y/y %)	8.2	-1.1	-17.7	10.5	5.8	3.5	6.0
Retail sales (growth y/y %)	-2.8	-2.1	-5.1	-2.2	-0.3	-2.5	0.6
LCY/EUR average	251.3	251.3	280.6	275.4	279.2	298.0	280.0
LCY/USD average	183.8	171.8	202.3	208.1	200.9	236.0	231.0

Source: Erste Group

also observed. While we expect the supportive process of a growing participation rate to continue, we also believe that the private sector employment situation will worsen in 2012 because of the deteriorating growth prospects and the wage increase requirements imposed by the government. Nevertheless, the cabinet's public works programme may improve the employment statistics. All in all, however, we expect the unemployment rate to increase from 10.9% in 2011 to 11.2% in 2012.

In 2H 2011, the risks relating to economic policy grew and the euro debt crisis exacerbated. This had a negative impact on the forint and government bonds. The Hungarian central bank started hiking the base rate in November 2011 and, due to recent fears on the Hungarian market, the rate may be raised further to 8% in 1Q 2012. However, an agreement with the IMF is likely to be reached in the first half of 2012 (perhaps in 2Q). Therefore, we expect to see some forint appreciation later this year. The policy rate might be lowered cautiously in 2H 2012. Inflation may stay high in 2012 due to tax hikes and the weak forint (around 5% on average). However, we expect the 3% inflation rate target of the central bank to be reached by 2013.

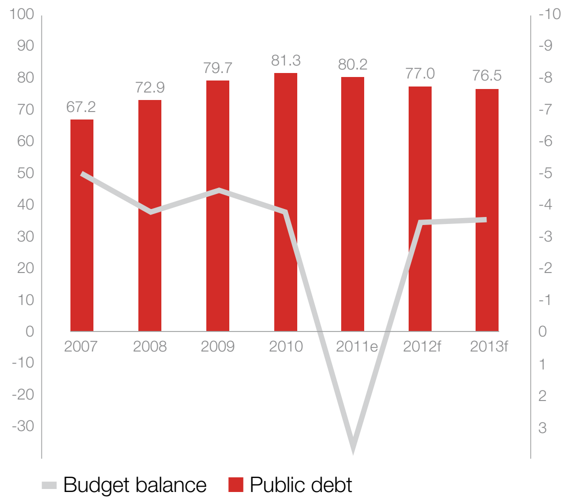
Fiscal outlook

After the ESA deficit of the government reached 4.2% of GDP in 2010, we expect a strong surplus for 2011. This is due to the private pension asset takeover. However, a considerable difference is expected between the CF-based and ESA figures, due to this asset transfer. There are several one-off expenditure items as well: the purchase of a stake in the oil and gas company MOL, increase in the capital of the state-owned Hungarian Development Bank, the takeover of some local municipalities' debt and the refunding of VAT to companies imposed by an EU court ruling. For 2012, the Cabinet plans to attain an ambitious 3% of GDP fiscal consolidation. However, even this may not be enough in light of the economic outlook. There is the question of what exact measures the European Commission and IMF may require for an agreement. We currently expect a budget deficit of 3.4% of GDP in 2012, but it might even be lower once an agreement is reached.

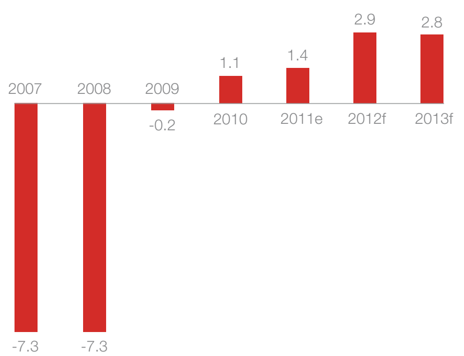
Equity market outlook

The year 2012 started with high volatility on the Hungarian market due to the heated discussion between the Hungarian government and the IMF and European Union. The negotiations were difficult because the government has the required amount of foreign currency reserves or expected income this year to finance its foreign currency liabilities, and has therefore sought to avoid strict conditions on the precautionary loan. The IMF and EU would like to see Hungary more cooperative in terms of fiscal reforms and legislative issues. While the issue at the beginning of the year was the government's talks with the IMF and EU, for the rest of the year, the implementation of economic reforms in Hungary and the development of the global economy will determine the markets.

Budget balance & public debt (% of GDP)

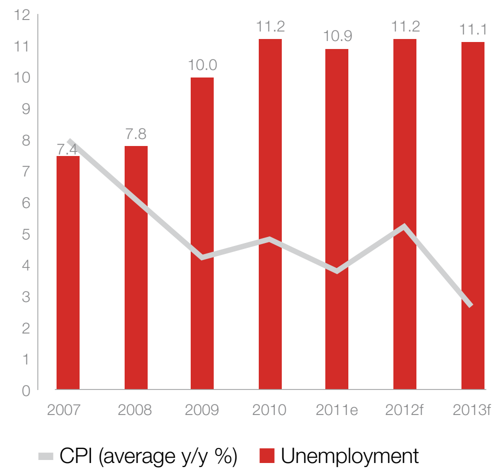


Current account balance (% of GDP)



Although the Hungarian equity market suffered a series of attacks from politics, which aggravated the crisis for equities, the decline of the BUX index was almost exactly the same 20% as seen for German and most Asian indices in 2011. A look at P/E valuations for 2012 and 2013 shows the BUX is traded at around half of its usual value. Surprisingly, it is the same for some other equity indices (e.g. DAX). This suggests that the relative risk premium is the same in Hungary as it is in some other markets. However, the nature of the risk is different. In the EU, the effects of the new Basel rules on banks and the tension prevailing on debt markets are behind the high risk, while in Hungary the major driver of risk is of political nature.

Inflation outlook & unemployment



It seems that the government will take the necessary steps to achieve a sustainable budget deficit lower than 3%. Reform efforts in the education system, mass transit, municipality system and many more will hopefully achieve results, while the crisis taxes will be abolished from the beginning of 2012. On the other hand, individual stories – like new original and bio-similar drugs from Richter in 2012 and the coming years as well as MOL's exciting exploration project in Iraqi Kurdistan – show the emerging attractiveness of certain stocks. Therefore, an easing of political pressure and the potential improvement of the economic setting in the US and the EU may bring the Hungarian market back onto the investment map.

Erste Group Research
Hungarian Research Team

Current Developments on the Capital Market

BUDAPESTI ÉRTÉKTŐZSDE
BUDAPEST STOCK EXCHANGE

Leading index	BUX
Performance 2011 (30 Dec 2010–30 Dec 2011)	-20.41%
Performance since 2007 (30 Dec 2006–30 Dec 2011)	-31.68%
Equity market capitalization (30 Dec 2011)	EUR 14.63bn
Number of listed companies	54
Number of trading members	38
Number of securities (30 Dec 2011)	
▪ equity market	55
▪ bond market	158
▪ structured products	55
Legal framework	EU Capital Market Legislation, Code of Conduct according to OECD standards, BSE rules

The Budapest Stock Exchange made great efforts to widen its product range in 2011 and achieved the listing of several new securities on the cash market. Among the highlights of 2011 was the launch of the new MTF segment, the BETa Market on 15 November 2011 following intensive preparations in cooperation with market participants. Initially, ten foreign shares were registered, which will be followed by several additional shares at the beginning of 2012. Liquidity on the BETa Market is provided by market maker quotes. Based on the first figures released, the BETa Market already seems to have garnered substantial interest and it stands to become even more popular among investors when it widens the product range.

A very pleasing development is the fact that domestic companies are still showing a growing interest in raising capital through the stock exchange. In 2011, six new share series were listed on the exchange with a value of EUR 28.6 million: Biomedical Plc., FuturAqua Plc., Masterplast Plc., Optisoft Plc., Plotinus Plc. and Visonka Plc. The segment of corporate bonds is also growing, with two new issuers joining the exchange in 2011 – Alteo Plc. and Business Telecom Ltd. – and seven new corporate bond series listings. It is also notable that the Small & Midcap Conference targeting potential issuers drew a large audience in 2011.

The increasing number of trading members also reflects the growing interest in the Hungarian market. In 2011, the following new members joined the stock exchange: one new domestic member, iForex Befektetési Szolgáltató Ltd. (admitted to trading in the Equities Section on 23 May) and three remote members: Goldman Sachs International (admitted to trading in the Debt Securities Section on 1 January); Société Générale S.A. (admitted to the Debt Securities Section on 12 September); Jefferies International Limited (admitted to the Debt Securities Section on 1 November).

Regarding turnover, the turbulence on global markets also affected the Budapest Stock Exchange resulting in declining activities on the different markets. On the cash market, trading volume dropped by 28.4% explained mainly by the decrease in equity turnover. In contrast, the figures for certificates (+37.7%) and debt securities (+20.1%) were positive. Demand for the former is growing, particularly from domestic retail investors who can now trade in 52 certificates. As already mentioned, the Equities Section lost shares in cash market turnover; therefore, its share in trading dropped to 93.1% from 96% in the previous year. Equity market patterns practically did not change; the top five blue chips accounted for 97.5% of total turnover. However, there was a shift from OTP to MOL as a result of the decrease in OTP shares' turnover, while the absolute figures for MOL levelled off.

Based on the bid-ask spread and the Budapest Liquidity Measure (BLM), the most liquid securities proved to be blue chips, BUX futures contracts and several certificates for which market makers provide liquidity. The most liquid share was OTP with a bid-ask spread of 0.1% and a BLM value (for EUR 20,000 in transaction value) of 0.17%, followed by MOL with a bid-ask spread of 0.15% and a BLM of 0.26%. Generally, the values did not change significantly compared to 2010. Detailed BLM statistics are published regularly on BSE's website.

There was a shift in investor structure from domestic to foreign investors compared to 2010: Hungarian retail investors generated 28.3% and domestic institutional investors 9.8% of equity market turnover in the first ten months of 2011, while the share accounted for by foreign investors was 45%. The rest of the trades came from domestic trading.

A look at the derivatives market segment shows that the decline was a bit steeper than on the cash market: 31.4%. Futures products all posted lower turnover figures both in EUR and in number of contracts. Only currency-based options reported positive changes. As regards the breakdown of derivative turnover, the share of currency-based contracts increased to 56.4% from 47.4% in 2010, which is a contrary trend compared to the previous year. The derivatives market is traditionally dominated by a Hungarian investor base: 47.5% of turnover was generated by domestic retail investors in 2011.

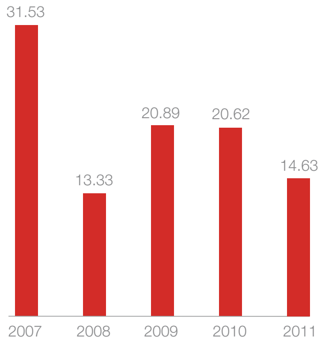
As mentioned above, the capital markets did not perform very well because of the globally unstable economic situation. However, the BUX index outperformed other European countries and the region in the first half of the year. But a look at the full year shows that the index was not able to avoid a 21.9% drop in value.

Overall, the Budapest Stock Exchange was able to create value for market participants and the economy by pursuing its product and market development projects even though the environment was not very supportive. The new regulation on Real Estate Investment Trusts (REITs) came into effect in July 2011 creating the framework for a new type of real-estate investment and thus opportunities for investors to further diversify their portfolios. In addition to the growing range of products, the BSE is strongly dedicated to the education of investors and potential issuers with the goal of making the capital market and its role more familiar to the general public. The stock exchange works very hard to make the Hungarian market even more liquid, attractive and reliable.

Key Figures of the Budapest Stock Exchange

Equity market capitalization 2007 to 2011

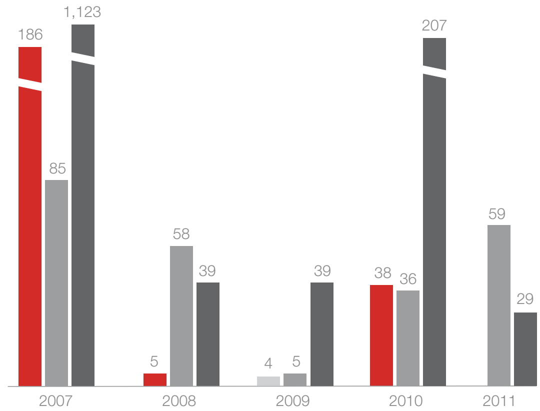
In the first half of 2011, equity market capitalization increased slightly at the Budapest Stock Exchange, while overall annual performance of the market was down due to the adverse international market environment and the negative sentiment regarding the performance of the Hungarian economy in 2H 2011. The 29% drop in equity market capitalization caused by depressed valuations and the depreciation of the local currency was partly offset by the rise in the number of new listings.



(in EUR bn / Source: FESE)

New share issues 2007 to 2011

Six new domestic companies chose the Budapest Stock Exchange for their listing in 2011. The shares of Biomedical Plc., FuturAqua Plc., Masterplast Plc., Optisoft Plc., Plotinus Plc. and Visonka Plc. were newly listed with a value of EUR 28.6 million. Already listed companies increased their capital by a total value of EUR 59.4 million – the highest since 2008.

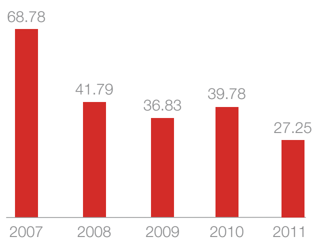


(in EUR m / Source: Budapest Stock Exchange)

Initial public offering
Capital increase
Secondary public offering
Technical listing

Domestic equity trading 2007 to 2011

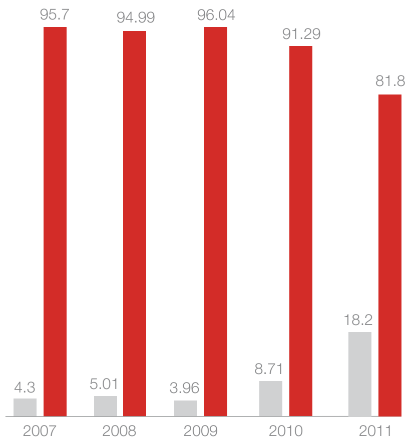
The global trends also triggered a significant change in terms of trading activity on the equity market. The first six months already indicated the falling tendency in turnover with domestic equity trading dropping by some 31.1% to EUR 27.25 billion in 2011. At the same time though, the success story of the certificates market continued and investors generated 37.7% higher turnover than in 2010.



(in EUR bn, double count / Source: FESE)

Trading volume of national and international members 2007 to 2011

In 2011, the activity of both national and international trading members decreased significantly. In terms of breakdown, the share of international trading members increased slightly, though domestic trading members continued to play a key role on both the cash and derivatives markets. International trading members remained active only on the cash market generating 18.2% of the turnover.



(in % / Source: Budapest Stock Exchange)

International
National

The Largest Companies on the Budapest Stock Exchange

The BUX is made up of the most actively traded blue chips of the Budapest Stock Exchange. Although six companies have joined the BSE as new listings and investors can now trade in the stocks of 54 companies, BSE still has a highly concentrated equity market. The market capitalization of the top five companies is 88% of total market capitalization of equities. In terms of trading volume, the top five blue chip companies account for more than 97% of total trading volume. This market concentration can be explained in part by the fact that the biggest blue chip companies listed on the BSE are not only the key players in the Hungarian economy, but also among the most liquid stocks of the CEE region.

The BUX includes the following companies:
- CIG Pannonia Life Insurance Plc
- EGIS Pharmaceuticals Plc
- E-Star Plc
- EST MEDIA Plc
- FHB Mortgage Bank Co Plc
- Fotex Holding SE
- Gedeon Richter Plc
- Magyar Telekom Plc
- MOL Plc
- Orco Property Group
- OTP Bank Plc
- PannErgy
- RÁBA Automotive Group

The following profiles focus on the five companies of the BUX with the highest market capitalization.

EGIS

Business segment: Pharmaceutical
Market capitalization: EUR 437.81m
Free float: 38.8%
ISIN Code: HU0000053947
Bloomberg: EGIS HB
Reuters: EGIS.BU
IR Officer: László Csány

www.egis.hu

EGIS Pharmaceuticals Plc

Egis is one of the leading generic pharmaceutical companies in Central and Eastern Europe with strong capabilities to develop, manufacture and market branded generic drugs used in human therapies primarily related to the cardiovascular, central nervous and respiratory systems. Its products are sold in 62 countries, predominantly in CEE and CIS where the company has established a strong marketing presence. The majority shareholder (51%) and strategic partner of Egis is the French research pharmaceutical company, Servier.

GEDEON RICHTER

Business segment: Pharmaceutical
Market capitalization: EUR 2,025.01m
Free float: 50.8%
ISIN Code: HU0000067624
Bloomberg: RICHT HB
Reuters: GDRB.BU
IR Officer: Katalin Ördög

www.richter.hu

Gedeon Richter Plc

Founded in 1901 by Gedeon Richter, the production facility was transformed into a business entity in 1923. Since 1997, it has been the largest domestic drug manufacturer. Its main activity is the development, manufacturing and marketing of active ingredients sold as generic brands and of specialty pharmaceuticals. Richter has now grown into a European multinational company and its products are sold in nearly one hundred countries worldwide. Richter's most important niche area is its gynaecological business.

Business segment: Telecommunications

Market capitalization: EUR 1,719.33m

Free float: 40.8%

ISIN Code: HU0000073507

Bloomberg: MTEL HB

Reuters: MTEL.BU

IR Officer: Krisztina Förhécz

www.telekom.hu

Magyar Telekom Plc

Magyar Telekom is Hungary's principal provider of telecom services. It provides a full range of telecommunications and ICT services including fixed-line and mobile telephony, data transmission and non-voice as well as IT and systems integration services. Magyar Telekom is the majority owner of Makedonski Telekom, the leading fixed-line and mobile operator in Macedonia and it holds a majority stake in Crnogorski Telekom, the leading telecommunications operator in Montenegro.

Business segment: Oil and gas

Market capitalization: EUR 5,761.12m

Free float: 44.4%

ISIN Code: HU0000068952

Bloomberg: MOL HB

Reuters: MOLB.BU

IR Officer: Richárd Benke

www.mol.hu

MOL Plc

MOL is a leading oil and gas company in Central Europe. MOL has exploration and production activities in eleven countries, operates five refineries, two petrochemical units and a modern retail network based on an optimized joint supply chain. MOL is active in the field of gas transmission – through FGSZ as an independent operator – and in gas storage. MOL is committed to maintaining and improving the efficiency of the existing portfolio with the aim of ensuring high returns for shareholders.

Business segment: Universal banking services

Market capitalization: EUR 2,862.58m

Free float: 69.2%

ISIN Code: HU0000061726

Bloomberg: OTP HB

Reuters: OTPB.BU

IR Officer: Sándor Pataki

www.otpbank.hu

OTP Bank Plc

Established in 1949, it remained the only retail bank until 1987. Today, it is the largest universal bank in Hungary and a major financial service provider in Central and Eastern Europe with majority holdings in eight other countries. Its strategically important domestic subsidiaries include OTP Mortgage Bank (the largest local mortgage provider), Merkantil Group (leasing), OTP Real Estate Ltd., OTP Lakástakarékpénztár (housing savings and loans), OTP Factoring Ltd. and OTP Fund Management Ltd. OTP Group is one of the best capitalized banks in Europe.

Slovenia: Macroeconomic Outlook

Raiffeisen Bank International

The uncertainties relating to the formation of a new government, the sluggish economy and the difficult external environment are downside factors affecting Slovenia. Moody's already responded to the weakening economy with a rating downgrade and further downgrades may follow, as 2012 could prove to be another difficult year for Slovenia's economy. The new government will have to deal with many challenges.

Country at a glance

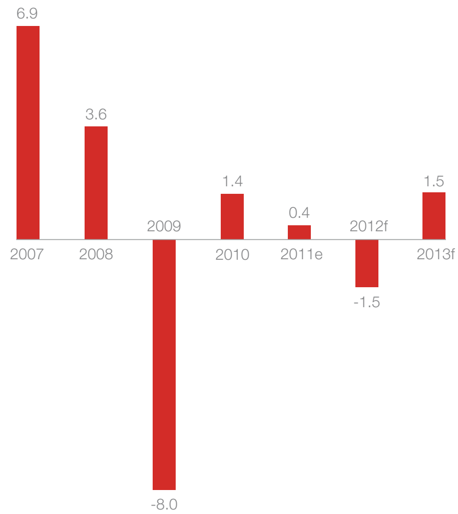
Official Language	Slovene
Capital	Ljubljana
Area	20,273 sqkm
Population*	2,050,189 (2011)
Nominal GDP*	EUR 35,797.7m (2010)
GDP per Capita in PPS (EU-27=100)*	85 (2010)
Currency	1 Euro = 100 Cent
Time Zone	UTC+1 CET UTC+2 CEST (March to October)
Internet Suffix	.si
Country Code	+386

* Source: Eurostat

Economic outlook

Slovenia is a small, open economy that relies heavily on exports to the euro zone. While this proved supportive of strong growth in past years before the financial crisis, it might turn into a stumbling block in 2012, as we expect a renewed recession in the first half of 2012 for the euro zone. Slovenia's GDP started to decline on a y/y basis already in 3Q 2011 following sluggish growth in the first half of the year. In the first three quarters, growth was 0.8% y/y, which was lower than expected. The labour market situation worsened again in 3Q 2011 and average gross wages continued to slow down. The deleveraging of the corporate sector and the ailing external environment will weaken growth further in the first half of 2012, producing flat consumption and diminishing investments.

Real GDP (growth y/y %)



Unemployment has risen close to 12%, but inflation remains tame at below 3% y/y. We expect inflation to remain low in the further course of 2012 and investment activity will probably only recover gradually in 2H 2012, as increasing confidence and reviving world trade bolster private consumption and investment.

A parliamentary election for the 90 members of parliament of the National Assembly of Slovenia was held on 4 December 2011. The election had previously been scheduled to take place in 2012, but distrust of the government led by Borut Pahor drove Slovenia to the first early elections in its history. The election was

Economic and fiscal data	2007	2008	2009	2010	2011e	2012f	2013f
Real GDP (growth y/y %)	6.9	3.6	-8.0	1.4	0.4	-1.5	1.5
Nominal GDP (EUR bn)	34.6	37.3	35.3	36.5	37.5	38.0	40.0
Current account balance (% of GDP)	-4.8	-7.0	-1.5	-0.8	-0.3	-1.3	-1.3
CPI (average y/y %)	3.6	5.7	0.9	1.8	1.8	2.2	2.0
Consumer prices (eop y/y %)	5.6	2.1	1.8	1.9	2.5	2.0	2.0
Producer prices (average y/y %)	4.2	3.9	-1.3	2.1	4.5	3.0	3.0
Unemployment (%)	7.7	6.7	9.2	10.7	11.5	12.0	11.5
General budget balance (% of GDP)	0.0	-1.9	-6.1	-5.8	-5.5	-5.5	-5.0
Public debt (% of GDP)	23.1	21.9	35.3	38.8	45.5	50.0	53.0
Industrial output (y/y %)	7.1	2.4	-17.3	6.9	4.0	-2.5	3.5
Nominal industrial wages (y/y %)	7.1	9.5	1.9	4.5	0.5	1.5	3.5
Official FX reserves (EUR bn)	1.9	1.7	1.9	1.9	1.9	1.8	1.8
USD/EUR (average)	1.37	1.47	1.39	1.33	1.38	1.32	1.3

Source: Thomson Reuters, wiiw, Raiffeisen Research

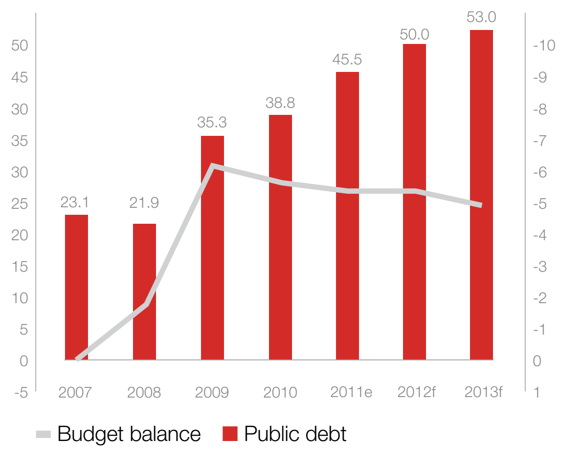
won by the party, Positive Slovenia (LZJ-PS), a new party led by Zoran Janković, the mayor of Ljubljana. All the final polls and most observers had predicted that SDS led by Janez Janša would win pretty easily with up to 30% of the vote. In reality, LZJ-PS surged pretty much out of nowhere on election day and won the vote.

Fiscal outlook

The situation of public finances and the financial environment will also affect the relatively slow recovery of Slovenia's economy in 2012. Slower growth rates will exert greater pressure on public finances, and therefore, the new government will have to push through even tougher reform measures in the midst of the economic slowdown in the first half of 2012. As the rating agency Moody's pointed out after the rating downgrade at the end of December 2011, more risks could emerge from the banking sector. Due to heightened pressure on asset quality, banks could need more government support in the form of debt guarantees and capital injections. According to Moody's calculations this could add up to potential government support of between 2% and 8% of GDP needed over the coming years. The highly leveraged corporate sector is another concern in the current environment.

The outgoing government had planned a debt issue of EUR 2.9 billion. But the new government could alter this issuance plan.

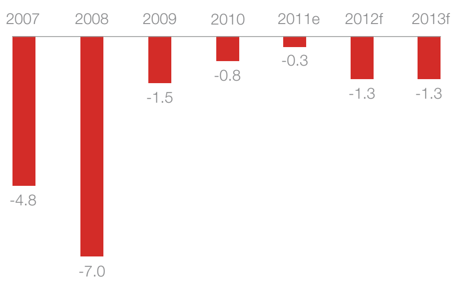
Budget balance & public debt (% of GDP)



Slovenia's plans are to reduce the budget deficit to 3.9% of GDP in 2012 after having reached approximately 5.5% of GDP in 2011. We regard these plans as overly optimistic given our economic expectations indicate a recession in Slovenia for 2012. Therefore, our projections place the budget deficit at around 5.5% of GDP for 2012.

Slovenia was put on the negative watch list by all three major rating agencies in December 2011. The first actual rating downgrade came from Moody's on 22 December from Aa3 to A1 with the negative rating outlook remaining. Based on our estimates, we believe there is a high possibility that another rating agency could follow with a rating downgrade in the coming months.

Current account balance (% of GDP)



Equity market outlook

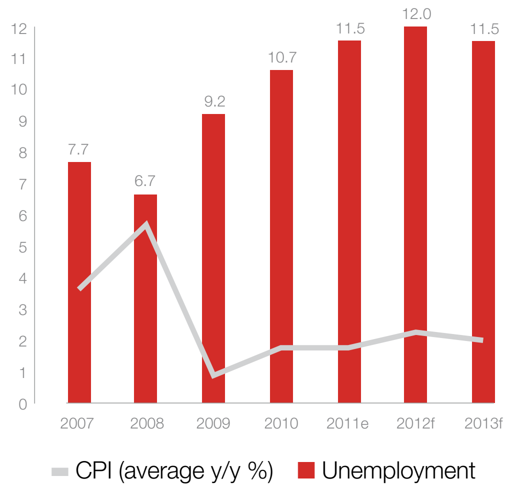
The Slovene equity market will be impacted by the difficult global environment and the related cautious attitude of international investors which is why we are cautious for the first half of 2012. Any easing of the tension relating to the sovereign debt crisis followed by a decline in risk aversion and rising stock prices is expected at the earliest in the second half of the year.

The Ljubljana Stock Exchange (LJSE) was also harshly affected by the global market turmoil, and the leading index SBITOP lost more than 30% in 2011. Accordingly, total equity market capitalization dropped to EUR 4.9 billion in 2011. Equity trading made up the majority (84%) of the total turnover.

In terms of valuation, the stocks in the blue chip index SBITOP are trading at a P/E ratio of 12.2 based on anticipated earnings for 2012 which reflects a slight premium in contrast to its neighbouring markets. However, one has to mention that SBITOP consists of just six members and this makes it difficult to compare it to broader peers. In terms of P/B ratios, the Slovene blue chips are trading at moderate levels (aggregated P/B ratio 2012f: 0.7) and in line with their peers in SEE but quite attractive compared to established markets (e.g. Euro Stoxx 50 P/B ratio 2012f: 1).

Although the still low trading volumes and the high risk aversion, particularly among international investors, continue to be a negative factor for 2012, the long-term growth prospects of the Ljubljana Stock Exchange are probably still intact thanks to the convergence process.

Inflation outlook & unemployment



Wolfgang Ernst and Aaron Alber, Raiffeisen Research, Raiffeisen Bank International

Current Developments on the Capital Market

LJUBLJANA STOCK EXCHANGE

Leading index	SBITOP
Performance 2011 (30 Dec 2010–30 Dec 2011)	-30.67%
Performance since 2007 (30 Dec 2006–30 Dec 2011)	-59.98%
Equity market capitalization (30 Dec 2011)	EUR 4.87bn
Number of listed companies	66
Number of trading members	27
Number of securities (30 Dec 2011)	
▪ equity market	68
▪ bond market	70
▪ structured products	1
Legal framework	EU Capital Market Legislation, Code of Conduct according to OECD standards, LJSE rules

In 2011, the Ljubljana Stock Exchange (LJSE) continued to face the challenges of modest liquidity, falling stock prices and the resulting low market capitalization. The crisis that broke out in 2008 transformed the general business environment and LJSE investors remain reserved. A further sign of this sentiment is reflected in the decline of the LJSE benchmark index, SBITOP, which dropped by some 30.7% in 2011.

2011 was the first year in which Slovene stocks traded on the international trading platform, Xetra®, which the Ljubljana Stock Exchange introduced in December 2010. The switch in trading system brought new remote trading members to the Ljubljana Stock Exchange. There were five international trading members on the LJSE market as of 31 December 2011: ecetra Central European e-Finance AG, Erste Group Bank AG, KBC Securities NV, Raiffeisen Centrobank AG and Wood & Company Financial Services, a.s. In 2011, these trading members accounted for over 10% of the total trading volume generated by LJSE member firms.

Total trading volume on the Ljubljana Stock Exchange decreased by 4.6%, with equity deals increasing by 9.3% and Prime Market transactions by as much as 19.7% versus 2010. The steepest rise was recorded in the share of foreign investors' dealings in LJSE Prime Market equities, which went up in the past four years from 7.1% to 12.3%. In 2011, the insurer Zavarovalnica Triglav switched its listing to the most prestigious market segment, the Prime Market. This important event widened the range of top-quality companies listed on Slovenia's regulated capital market.

Total equity market capitalization dropped to EUR 4.9 billion in 2011 primarily because of decreasing prices. New listings were mainly bonds. There were nine new bond listings with a total nominal value of EUR 3.1 billion and two equity listings (ALTA Skupina, d. d. and Unior, d. d.). The Ljubljana Stock Exchange also reported seven capital increases, including that of the Prime Market bank Nova KBM, d. d.

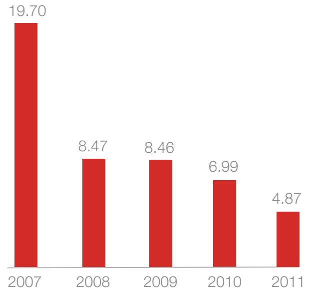
The Ljubljana Stock Exchange has been actively pursuing the promotional strategy for the Slovene capital market together with Prime Market companies. The crisis that hit in 2008 has transformed corporate financial reality, and companies are still struggling for funds in international markets. By taking part in various domestic and international events, the Ljubljana Stock Exchange is increasing the visibility of the Slovene capital market and its top listed companies. With a view to consolidate its own profile in the region and impart new momentum to the campaign to encourage cooperation among the stock exchanges of Southeast Europe, the LJSE entered into another Memorandum of Partnership with the Belgrade Stock Exchange, the Skopje Stock Exchange and the Zagreb Stock Exchange.

The Ljubljana Stock Exchange organized local and international investor conferences as well as two webcasts which attracted a wide audience. In the autumn of 2011, the Ljubljana Stock Exchange held a series of panel debates to discuss the challenges facing the Slovene capital market. With a good turnout, they livened up the public debate about the topic and drew attention to the role of capital markets and their future development. The consensus is that long-term measures need to be adopted in Slovenia such as long-term saving schemes in the pension system and further privatizations as well as advancing LJSE's further integration into the CEE region in order to stimulate the domestic market and create the decisive impulses for public offerings in the future.

Key Figures of the Ljubljana Stock Exchange

Equity market capitalization 2007 to 2011

The total equity market capitalization at the Ljubljana Stock Exchange was EUR 4.87 billion at the end of December 2011, having been driven down mainly by declining prices.

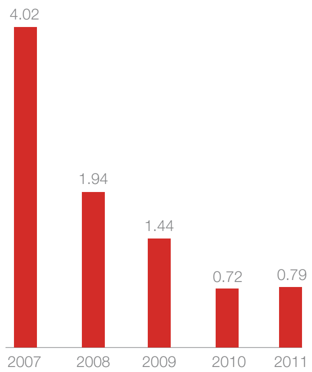


(in EUR bn / Source: FESE)

Domestic equity trading 2007 to 2011

The domestic equity trading volume recorded in 2011 amounted to EUR 789 million, with the total LJSE trading volume (including bonds and investment funds) amounting to EUR 940 million. This translates into an average monthly trading volume of EUR 79 million. Total trading volume without block trades amounted to EUR 644 million. The majority of trading volume was generated by equity trades (83.9%), while bonds and investment funds contributed a further 12.7% and 3.4%, respectively.

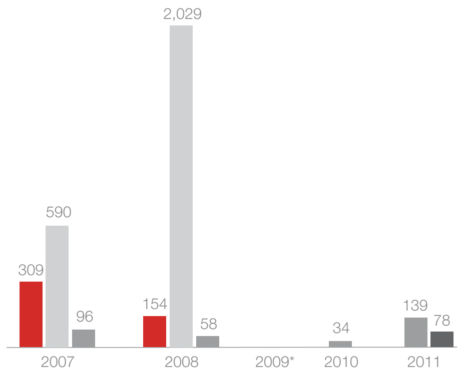
The most actively traded stock on the Prime Market in 2011 was Krka, which stood for 43.9% of all equity trades. The LJSE Prime Market currently lists nine Slovene blue chips, which accounted for 87.4% of the equity trading volume in 2011; the other two largest contributors to equity trading were Mercator, which generated 22.9% of all equity transactions, and Petrol, which contributed a further 6.9%.



(in EUR bn, double count / Source: FESE)

New share issues 2007 to 2011

The adverse market situation was one of the key reasons for the few capital increases in 2011 (EUR 139 million). There were seven capital increases on the Ljubljana Stock Exchange in 2011, including that of Prime Market bank Nova KBM, d. d. Aside from the listing of financial group ALTA Skupina and the company Unior with a total issuing volume of EUR 78.1 million, the new listings in 2011 also included bonds with a total nominal value of EUR 3.1 billion.



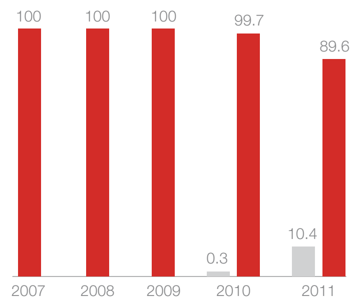
(in EUR m / Source: Ljubljana Stock Exchange)

Initial public offering | Capital increase
Secondary public offering | Technical listing

* There were no IPOs, SPOs or capital increases in 2009

Trading volume of national and international members 2007 to 2011

The majority of the LJSE trading volume in 2011 was generated by domestic members, which executed 89.6% of all trades. In December 2011, the LJSE had 22 domestic members and five international remote members.



(in % / Source: Ljubljana Stock Exchange)

International | National

The Largest Companies on the Ljubljana Stock Exchange

The SBITOP is the blue chip index of the Ljubljana Stock Exchange. Its basket currently includes the following companies:

- Gorenje
- Krka
- Mercator
- Nova KBM
- Petrol
- Telekom Slovenije

The following profiles focus on the five companies most representative of the SBITOP.

Business segment: Home appliances
Market capitalization: EUR 79.53m
Free float: 59.3%
ISIN Code: SI0031104076
Bloomberg: GRVG SV
Reuters: GORE.LJ
IR Officer: Bojana Rojc

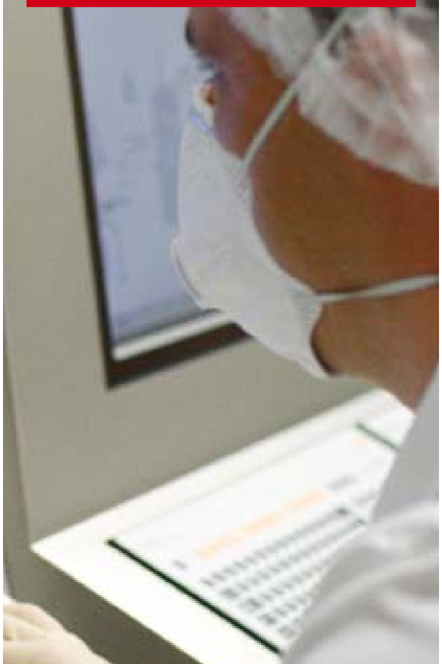
www.gorenje.com

Gorenje

Gorenje Group is a leading European manufacturer of home appliances. It supplies technologically perfected, superiorly designed and energy-efficient appliances under the brands Gorenje, Atag, Asko, Pelgrim, Mora, Etna, Körting, Sidex and Upo to users in 70 countries around the globe. The Group's portfolio is rounded off by kitchen furniture. It is also active in the field of ecology.

Business segment: Pharmaceutical
Market capitalization: EUR 1,874.04m
Free float: 69.4%
ISIN Code: SI0031102120
Bloomberg: KRKG SV
Reuters: KRKG.LJ
IR Officer: Peter Skubic

www.krka.biz



Krka

Krka is one of the world's leading generic pharmaceutical companies with close to 60 years of experience in the industry. Krka has a strong presence in Southeast Europe and CEE. In recent years, Krka has been building up its presence in Western Europe. Krka offers customers in over 70 countries a broad range of safe, high quality and effective prescription pharmaceuticals and self-medication products supplemented by animal health, cosmetic products and health and tourism services.

Business segment: Retail
Market capitalization: EUR 553.51m
Free float: 48.5%
ISIN Code: SI0031100082
Bloomberg: MELR SV
Reuters: MELR.LJ
IR Officer: Dean Čerin

www.mercator.si

Mercator

Mercator Group is one of the largest retail chains in the region of Southeast Europe, the leading retail chain in Slovenia, and an increasingly important player in the markets of Serbia, Croatia, Bosnia and Herzegovina, Montenegro, Albania and Bulgaria. In all of these swiftly growing markets, Mercator is aiming to become the first or second-largest fast-moving consumer goods (FMCG) retailer by operating retail units in capitals and regional centres of each market. Mercator's goal is to be the consumers' first choice when shopping for fast-moving consumer goods and home products.

Business segment: Banking
Market capitalization: EUR 123.63m
Free float: 48.9%
ISIN Code: SI0021104052
Bloomberg: KBMR SV
Reuters: NKBM.LJ
IR Officer: Darko Kovačič

www.nkbm.si

Nova KBM

Nova KBM is one of the largest Slovene financial groups. Banking is its core activity. Other financial services of the Group include insurance, investment funds and pension funds, leasing and real estate services. Nova KBM is a universal bank that offers customers the full range of banking products, with an especially strong position in retail banking. The Nova KBM Group has 13 subsidiaries in Austria, Croatia, Serbia and Slovenia and approximately 100,000 shareholders.

Business segment: Energy
Market capitalization: EUR 323.58m
Free float: 69.5%
ISIN Code: SI0031102153
Bloomberg: PETG SV
Reuters: PETG.LJ
IR Officer: Barbara Jama Živalič

www.petrol.si

Petrol

Petrol is the largest Slovene energy company. The Petrol Group is present in ten countries and has a broad network of 448 service stations in Southeast Europe. It is the market leader in petroleum product sales in Slovenia, holding a 60% market share in service stations, with merchandise sales accounting for a significant portion of its revenues. The Group is also active in the fields of gas, electricity, environment care, and other energy sources, including renewable energy. By specializing in the full range of energy and environmental products and services, Petrol provides its customers with reliable, economical and environmentally-friendly services.

Austria: Macroeconomic Outlook

Austria is a stable country both in economic and political terms. The current relative strength of its key economic indicators versus the euro area-17 such as an above-average economic growth rate, a very low unemployment rate and the comparatively low debt of the private and public sectors gives Austria, like most of the region's equity markets, an advantage over major established markets.

Country at a glance

Official Language	German
Capital	Vienna
Area	83,879 sqkm
Population*	8,404,252 (2011)
Nominal GDP*	EUR 281,179.3m (2010)
GDP per Capita in PPS (EU-27 = 100)*	126 (2010)
Currency	1 Euro = 100 Cent
Time Zone	UTC+1 CET UTC+2 CEST (March to October)
Internet Suffix	.at
Country Code	+43

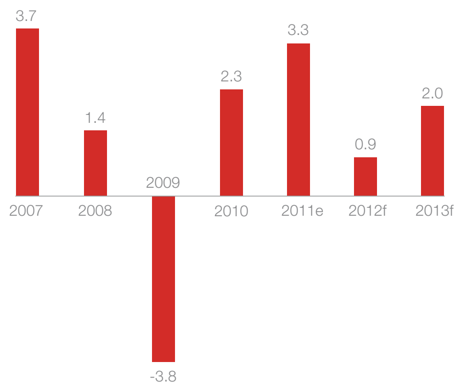
* Source: Eurostat

Economic outlook

Since the EU's enlargement in 2004, Austria has been viewed as a beneficiary of the EU expansion. The Austrian economy has been outperforming the euro area average since the introduction of the euro in 2002. We still expect the CEE region to be the growth driver of Europe over the long term due to its enormous catching-up potential.

The dynamic export growth rates highlight the fact that Austria is an open economy. About one third of its exports go to Germany, while the CEE region accounts for roughly one fifth, Italy for 8%, the BRIC countries for 6%, USA for 4%, and France for 4%. The Japanese crisis affected the exporting sector only marginally given that Japan accounts for less than 1% of total exports.

Real GDP (growth y/y %)



On a positive note, private consumption decreased only marginally (-0.3% in 2009 y/y in real terms) during the recession and is therefore a stable element of the Austrian economy. After a peak in early 2011, sentiment indicators are currently on a downward trend. Still, if the forecasts for 2012 (GDP: +0.9%) and for 2013 (GDP: +2%) turn out to be correct, Austria should again outperform the average EU growth rate in both years.

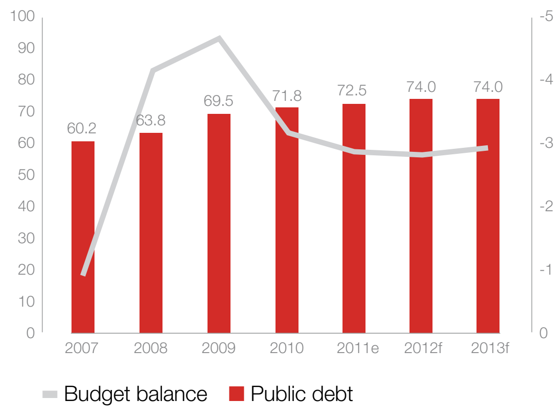
More than half of Austrian exports go to the euro zone and are unaffected by exchange rate fluctuations. Since 2002, the Austrian current account has been positive, which confirms the international competitiveness of the country.

Economic and fiscal data	2007	2008	2009	2010	2011e	2012f	2013f
Real GDP (growth y/y %)	3.7	1.4	-3.8	2.3	3.3	0.9	2.0
Fixed capital formation (growth y/y %)	3.6	0.7	-8.3	0.1	6.0	0.3	3.8
Private consumption (growth y/y %)	0.8	0.8	-0.3	2.1	1.0	0.7	1.0
Exports fob (growth y/y %)	9.9	0.3	-16.6	10.9	8.3	4.5	7.0
Imports cif (growth y/y %)	8.8	-0.1	-14.7	9.1	7.3	3.5	6.5
Current account balance (% of GDP)	3.5	4.9	2.7	3.0	2.4	3.0	3.0
CPI (average % y/y)	2.2	3.2	0.4	1.7	3.3	2.4	1.9
Unemployment (%)	4.4	3.8	4.8	4.4	4.2	4.4	4.4
General budget balance (% of GDP)	-0.9	-4.1	-4.6	-3.1	-2.9	-2.8	-2.9
Public debt (% of GDP)*	60.2	63.8	69.5	71.8	72.5	74.0	74.0

Source: WIFO (Austrian Institute of Economic Research), Statistics Austria, * OeNB

The Austrian labour market ranks among the top markets of the euro zone because of its very low unemployment rate. In October 2011, the rate was 4.1%, which ranks the country as number one in the euro-17 area ahead of Luxembourg. This also means

Budget balance & public debt (% of GDP)



that the Austrian unemployment rate is less than half of that of the EU which is 9.8%. We expect the unemployment rate to increase marginally this year and to remain stable in 2013. Among the bad news is certainly the comeback of high inflation, which in Austria (3.8% in November 2011) exceeded the average euro area inflation rate (3% in November 2011). Inflation was driven mainly by higher energy and food prices. Excluding the increases in energy, food, alcohol, and tobacco (core inflation), prices rose by 2.7% in November. For 2012, we expect an inflation rate of 2.4%.

Fiscal outlook

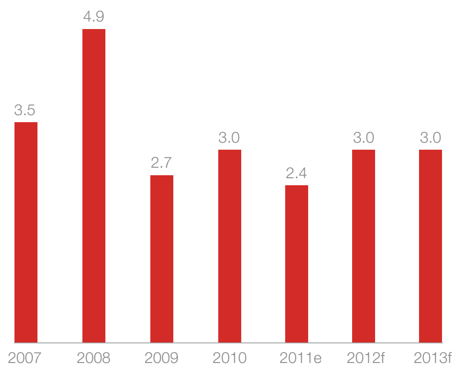
As a consequence of the global economic crisis in 2009, Austria's budget deficit and government debt increased and exceeded the Maastricht criteria of 3% and 60% of GDP, respectively – as it did in many other countries as well. In 2011, Austria was still one of 15 countries with a triple A rating from the major rating agencies. However, reducing government debt and the budget deficit remain the key challenges for economic policy in the coming years. We expect the budget deficit to meet the Maastricht target as early as in 2012 (forecast: -2.8% of GDP).

As a member of the traditional hard currency block, Austria has written positive history in the monetary union, making it one of the economically successful core countries of the euro zone. This assessment is based on the past ten years of positive current accounts, a sustainable rise in productivity over years, and a generally highly competitive economy and industrial sector. Moreover, unit labour costs have developed moderately along with the increase in production, and in the long-run, inflation has been in line with the European Central Bank's target. The risk aversion triggered by the financial and economic crisis has led investors to hoard liquidity since 2009, and the risk/return rationale will become increasingly relevant in the light of the new stability mechanism from July 2012 onwards. Government bonds with the best ratings should retain their function as safe havens, not least as the European debt crisis is not yet over. However, the systemic risk might pose a downside risk, which is similar for all top-rated euro zone countries.

Development in CEE and its impact on Austria

The economic development of Central and Eastern Europe is of crucial relevance for the Vienna Stock Exchange. Some 85% of the most important companies (weighted by market capitalization) in the blue chip index, ATX, are heavily committed in CEE and generate the majority of their sales and earnings in the region. That said, the CEE economies have experienced some wide fluctuations in economic development, but overall their performance in 2011 was relatively solid despite the aftermath of the crisis (which also applies to the euro zone). The markets covered by Erste Group

Current account balance (% of GDP)

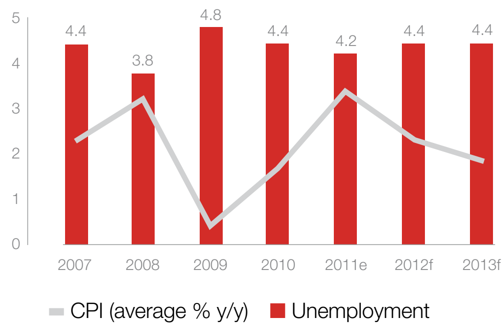


Research (CEE8[1]) grew by an estimated weighted aggregate of +3.1% in 2011 (euro zone +1.5%). In 2011, all CEE8 countries emerged from recession, due to solid global demand. But the CEE countries should not be seen as a homogenous cluster of economies. The bandwidth for country-specific performance is significant as shown by a growth rate of 0.5% in Croatia and 4.9% in Ukraine in 2011. For 2012, Erste Group Research expects real GDP growth of +1.4% for the CEE8 (versus +0.2% for the euro zone), and +3% for 2013 (versus +1.2% for the euro zone). This means the CEE region will fall short of achievements of the boom years prior to the crisis, but will still grow at a higher pace than the euro area. Government debt in CEE is significantly lower than the EU/euro zone average. With an aggregate population of 52 million people, the CEE5[2] countries have only amassed less than three quarters of the debt of Greece whose population is only 11 million. The CEE6[3] (incl. Poland) region has 90 million inhabitants and yet only slightly more than 60% of the debt of Spain (population: 47 million) and less than one quarter of the debt of Italy (population: 60 million).

Equity market outlook

In an average rather subdued year for equities, the ATX has underperformed in relative terms in the year 2011 (-34.9%). While international investors remain active at trading volumes below pre-crisis levels, they have basically remained underinvested as a result of the volatile global equity environment. The high deficits and levels of government debt will cause further unrest

Inflation outlook & unemployment



on financial markets, but Central and Eastern European markets will generally benefit compared to the major established markets in this respect. Total government debt levels in most of the Central and Eastern European countries are far below the euro zone average and the Maastricht limit of 60% to GDP (excluding Hungary). Furthermore, the ATX currently boasts a very attractive valuation compared to its international peers and is historically backed by robust earnings growth rates. Austrian shares are also clearly much more attractive than government bonds in terms of returns (vs. Austrian 10-year government bond yields). Overall, the Erste Group Research team expects a moderate recovery of Austrian equities in the year 2012.

Erste Group Research

[1] CEE8 = Croatia, Czech Republic, Hungary, Poland, Romania, Serbia, Slovakia, Ukraine
[2] CEE5 = Czech Republic, Hungary, Croatia, Slovakia, Romania
[3] CEE6 = Czech Republic, Hungary, Croatia, Poland, Slovakia, Romania

Current Developments on the Capital Market

wiener börse.at

Leading index	ATX
Performance 2011 (30 Dec 2010–30 Dec 2011)	-34.87%
Performance since 2007 (30 Dec 2006–30 Dec 2011)	-57.62%
Equity market capitalization (30 Dec 2011)	EUR 65.68bn
Number of listed companies	105
Number of trading members	94
Number of securities (30 Dec 2011)	
▪ equity market	111
▪ bond market	3,638
▪ structured products	5,812
Legal framework	Stock Exchange Act, EU Capital Market Legislation, Code of Conduct according to OECD standards, General Terms and Conditions of the Vienna Stock Exchange

Like all international stock exchanges, the Vienna Stock Exchange faced an extremely harsh market environment in 2011 especially in the second half of the year. Given these adverse circumstances, the leading index ATX lost a lot of ground and closed the year at 1,891.68 points, down by -34.87% versus year-end 2010.

In line with the negative performance, market capitalization decreased to EUR 65.68 billion versus year-end 2010 (-30.08%), and average monthly equity trading volumes also dropped from EUR 5.38 billion in 2010 to EUR 4.98 billion in 2011.

Inspite of this, there were a number of positive events at the Vienna Stock Exchange in 2011: On 8 April 2011, the exchange saw the first IPO since 2007. Austria Metall AG (AMAG) joined the prime market with an issuing volume of EUR 411 million. The company was one of the largest public offerings on the Vienna Stock Exchange in terms of issuing volume. On 11 November 2011, Österreichische Staatsdruckerei Holding AG joined the Vienna Stock Exchange as a new listing. Good news is also the volume of fresh capital raised by one secondary public offering (EUR 542.80 million) and six capital increases (EUR 898.44 million). A large number of corporate bond issues was also recorded in 2011: There were 23 corporate bond issues with an issuing volume of EUR 3.3 billion.

The year 2011 marked the 20th anniversary of the ATX. Although its performance dropped sharply in 2011, the leading index of the Vienna Stock Exchange has performed well in the first 20 years of its existence (1991–2010). An investment of EUR 1,000 in an index-based fund on 1 January 1991 would have resulted in EUR 2,904.47 at year-end 2010 – an increase of around 190%. Additionally, the market capitalization of the ATX-listed companies rose from EUR 8.4 billion to EUR 70.9 billion during the same period of time. In March 2011, real estate companies were added to the ATX for the first time.

Just in time for the start of school at the beginning of September, the Vienna Stock Exchange launched a new website targeting youths – www.borse4me.at – which is a further contribution to general education in the area of finance. As knowledge of the capital market is useful regardless of the professional career a person may choose later on, interest in the theme among school students is also increasing. A solid basic education in economic topics is a requisite today for coping with situations in both private life and at work. www.borse4me.at offers information on the Austrian capital market as well as profiles of jobs in the investment field, diverse quizzes to test the knowledge, and also an e-learning program.

Apart from these highlights, several achievements contributed to strengthening the Vienna Stock Exchange's international position this year, e.g., the connection of seven new trading members – five of them foreign investment firms – to direct trading. The firms were Citigroup Global Markets Ltd (UK), Lang & Schwarz TradeCenter AG & Co. KG (Germany), UniCredit Bank AG Succursale di Milano (Italy), biw Bank für Investments und Wertpapiere AG (Germany and its Austrian branch), UniCredit Bank Austria AG (Austria), and Newedge UK Financial Ltd (UK). Foreign trading members currently account for more than two thirds of the entire equity trading volume on the Vienna Stock Exchange.

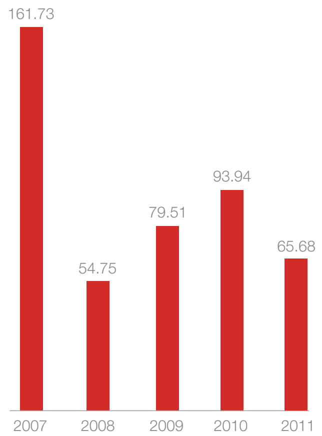
In March 2011, the Vienna Stock Exchange enlarged its product range by dividend point indices and futures. The new products are based on two of the exchange's most popular indices, the ATX and the CECE EUR. On 1 September 2011, the exchange started calculating and publishing new sector indices for the ATX and CEESEG to round off its range of indices and meet market demand. Later in September, it also started the calculation and publication of the new Top Dividend Indices for the ATX, the CECE and the CEESEG Traded Index.

In the area of data vending, the Vienna Stock Exchange welcomed the Belgrade Stock Exchange as a new member of the data alliance in the first half of 2011, raising the number of markets currently covered by the ADH data feed to a total of nine. A further data vending cooperation agreement was signed with the Montenegro Stock Exchange, thus laying the cornerstone for the inclusion of a tenth market into the ADH data feed in 2012 as soon as all technical preparations have been completed.

Key Figures of the Vienna Stock Exchange

Equity market capitalization 2007 to 2011

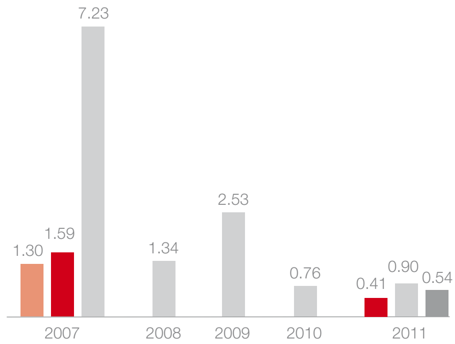
The negative performance of the leading index, ATX, reflects the development of market capitalization: It decreased from EUR 93.94 billion as of year-end 2010 to EUR 65.68 billion on the last day of trading of last year. This translates into a loss of 30.08%.



(in EUR bn / Source: FESE)

New share issues 2007 to 2011

In 2011, two new listings (EUR 0.41 billion in total), one SPO (EUR 0.54 billion) and six capital increases (EUR 0.90 billion) raised fresh capital amounting to a total of EUR 1.85 billion, more than double the figure for 2010 (EUR 0.76 billion). Issuers of corporate bonds were also very active and used the capital market to raise funds (23 new listings with an issuing volume of EUR 3.3 billion).

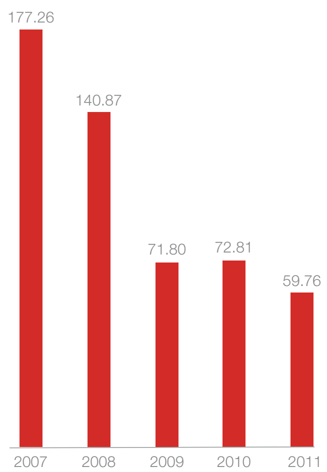


(in EUR bn / Source: Wiener Börse AG)

MTF
Initial public offering
Capital increase
Secondary public offering

Domestic equity trading 2007 to 2011

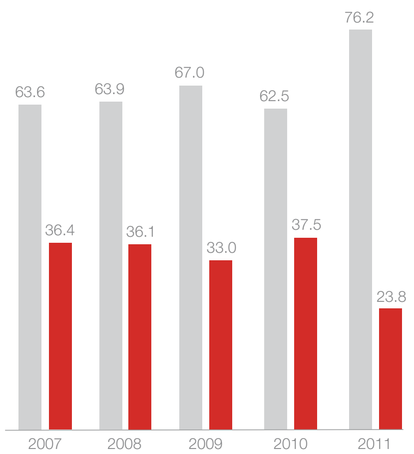
The declining share prices are also reflected in the development of monthly trading volumes: Equity trading stagnated or dropped on most international stock exchanges in the past year. Trading volumes in money terms on the Vienna Stock Exchange amounted to EUR 59.76 billion for domestic stocks (EUR 4.98 billion on the monthly average) which is a decrease of 18% vs. the previous year. However, the number of transactions executed was 6% higher in 2011 than in 2010.



(in EUR bn, double count / Source: FESE)

Trading volume of national and international members 2007 to 2011

In 2011, seven new trading participants – five of them international firms – were admitted to the Vienna Stock Exchange as direct trading members. As of year-end, 55 of the 94 trading members were foreign firms. They continue to account for more than two-thirds of total trading volume in equities with a share of 76.2%.



(in % / Source: Wiener Börse AG)

International
National

The Largest Companies on the Vienna Stock Exchange

The ATX (Austrian Traded Index) is the leading index of the Vienna Stock Exchange. The two key criteria for inclusion in the index are free float market capitalization and stock exchange trading volumes.

The ATX includes the following companies:

- ANDRITZ AG
- CA Immobilien Anlagen AG
- conwert Immobilien Invest SE
- Erste Group Bank AG
- EVN AG
- IMMOFINANZ AG
- Lenzing AG
- Mayr-Melnhof AG
- OMV AG
- Österreichische Post AG
- Raiffeisen Bank International AG
- RHI AG
- Schoeller-Bleckmann AG
- STRABAG SE
- TELEKOM AUSTRIA GROUP
- VERBUND AG
- VIENNA INSURANCE GROUP AG
- voestalpine AG
- Wienerberger AG
- Zumtobel AG

The following profiles focus on the five shares with the highest weighting in the ATX.

Business segment: Machinery and plant engineering

Market capitalization: EUR 3,333.20m

Free float: 70.8%

ISIN Code: AT0000730007

Bloomberg: ANDR AV

Reuters: ANDR.VI

IR Officer: Michael Buchbauer

www.andritz.com

ANDRITZ AG

ANDRITZ AG provides machinery, plant engineering and services for hydro-power plants, the pulp and paper industry, the metals industry and other specialized industries (solid/liquid separation, feed and biomass). In the past ten years, sales revenues of the ANDRITZ GROUP have risen on average by 12% per year. All strategic measures of the Group are aimed at sustaining this long-time trend of profitable growth.

Business segment: Banking

Market capitalization: EUR 5,308.57m

Free float: 65.2%

ISIN Code: AT0000652011

Bloomberg: EBS AV

Reuters: ERST.VI

IR Officer: Thomas Sommerauer

www.erstegroup.com

Erste Group Bank AG

Erste Group offers a comprehensive and transparent range of banking services to about 17 million private and corporate customers through more than 3,200 branches in eight countries in Central and Eastern Europe. The strategic focus on traditional retail business with private customers and SMEs combining with a strong presence in growth markets allows for a sustainable and self-financed growth.

Business segment: Oil and gas

Market capitalization: EUR 7,671.27m

Free float: 43.6%

ISIN Code: AT0000743059

Bloomberg: OMV AV

Reuters: OMVV.VI

IR Officer: Lăcrămioara Diaconu

www.omv.com

OMV AG

OMV – an integrated, international oil and gas company – is active in the areas Exploration and Production, Refining and Marketing including petrochemicals as well as Gas and Power. The company's future lies in a simplified and more focused portfolio with more integrated growth. This means growth in upstream business or the exploration and production of oil and gas, a fully integrated gas business, and a restructured refining and marketing business. The objective is to increase profitability in all business units.

Business segment: Telecommunications

Market capitalization: EUR 4,092.43m

Free float: 56.6%

ISIN Code: AT0000720008

Bloomberg: TKA AV

Reuters Code: TELA.VI

IR Officer: Matthias Stieber

www.telekomaustria.com

TELEKOM AUSTRIA GROUP

Telekom Austria Group is the leading telecommunications provider in the CEE region: It operates in eight countries with headquarters in Austria and has more than 17,000 employees that serve some 22 million customers. Its extensive portfolio includes products and services in the areas of voice telephony, broadband internet, multimedia services, data and IT solutions, wholesale and m-payment solutions.

EINEN SCHRITT VORAUS.

Business segment: Steel and manufacturing

Market capitalization: EUR 3,663.30m

Free float: 64.1%

ISIN Code: AT0000937503

Bloomberg: VOE AV

Reuters Code: VOES.VI

IR Officer: Peter Fleischer

www.voestalpine.com

voestalpine AG

voestalpine is a globally active group with a number of specialized and flexible companies that produce, process and further develop high-quality steel products. The group is represented by approximately 360 production and sales companies in more than 60 countries.

Czech Republic: Macroeconomic Outlook

Raiffeisen Bank International

The first half of 2012 is expected to be a rough period for the Czech Republic. On the one hand, there is influence of the recession on the euro zone and the other key countries for Czech exports. On the other hand, the already restrictive domestic policies could become even tighter as soon as tax revenues drop. However, some first signs of improvement are expected for the second half of 2012.

Country at a glance

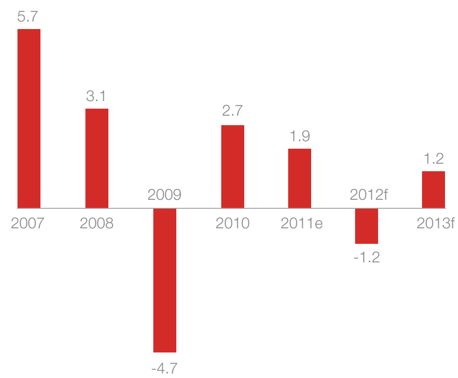
Official Language	Czech
Capital	Prague
Area	78,866 sqkm
Population*	10,532,770 (2011)
Nominal GDP*	EUR 145,324.1m (2010)
GDP per Capita in PPS (EU-27 = 100)*	80 (2010)
Currency	1 Czech Koruna = 100 Haler
Time Zone	UTC+1 CET UTC+2 CEST (March to October)
Internet Suffix	.cz
Country Code	+420

* Source: Eurostat

Economic outlook

The Czech economy declined in 3Q 2011 by 0.1% q/q. In annual terms, the GDP level still grew in 3Q 2011 by 1.2%, but the fact is that the recovery of the economy was over after eight quarters (3Q 2009 to 2Q 2011). The decline did not come as a surprise: The economy had been decelerating since 3Q 2010. The surprise, however, is that the drop in GDP arrived one quarter earlier than expected. The decline was caused by the weak domestic economy: In 3Q 2011, household consumption declined q/q by 0.5%, public sector consumption by 0.4%, and gross fixed capital formation by 0.5%. Only net exports and the change in inventories increased, and therefore, supported the economy's performance.

Real GDP (growth y/y %)



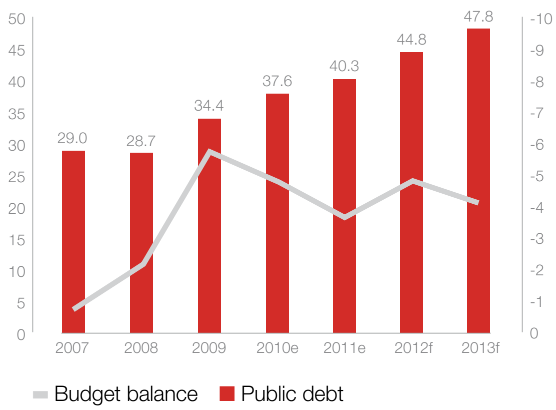
Our forecast of negative economic growth of -1.2% for 2012 is based on a combination of two factors: the influence of recession in the euro zone and other countries important for Czech exports, and restrictive domestic policies. Given the recession and the entailing drop in tax income revenues for the government, it will be forced to follow an even more restrictive fiscal path than currently planned. For 2012, we basically expect the same GDP trends as in 2011: a decline in domestic demand and investment activity, and the supportive role of net exports (in spite of the widespread recession across Europe – the contraction in exports will be paralleled by a contraction in imports). We expect unemployment to rise and project an increase to 9%, very low wage growth and no domestic inflationary pressure except due to the tax hikes

Economic and fiscal data	2007	2008	2009	2010	2011e	2012f	2013f
Real GDP (growth y/y %)	5.7	3.1	-4.7	2.7	1.9	-1.2	1.2
Nominal GDP (EUR bn)	132	154.3	141.4	149.5	158.6	158.3	167.7
Current account balance (% of GDP)	-4.3	-2.1	-2.4	-3.1	-1.8	-2.9	-2.6
CPI (average y/y %)	2.8	6.3	1.0	1.5	1.9	2.6	2.1
Consumer prices (eop y/y %)	5.4	3.6	1.0	2.3	2.2	2.2	1.9
Producer prices (average y/y %)	4.1	4.5	-3.1	1.2	5.5	2.3	2.0
Unemployment (%)	6.6	5.4	8.1	9.0	8.6	9.0	9.2
General budget balance (% of GDP)	-0.7	-2.2	-5.8	-4.8	-3.7	-4.9	-4.1
Public debt (% of GDP)	29.0	28.7	34.4	37.6	40.3	44.8	47.8
Industrial output (y/y %)	9.0	0.4	-13.4	10.1	6.1	-2.7	3.9
Nominal industrial wages (y/y %)	7.2	8.1	3.5	3.7	4.4	3.0	3.8
Official FX reserves (EUR bn)	23.7	26.6	28.9	32.0	30.0	31.0	35.0
LCY/EUR (average)	27.7	24.9	26.4	25.3	24.5	24.5	23.4
LCY/USD (average)	20.2	17.0	19.0	19.1	17.8	18.5	18.0

Source: Raiffeisen Research

(most notably the increase of the lower VAT rate from 10% to 14% which affects almost 30% of the consumer basket). Official interest rates will remain low even though we expect a cut by 25 basis points to 0.5% – a new historic low – in 1Q. However, this

Budget balance & public debt (% of GDP)



will not be able to give the economy the necessary stimulus to offset the negative shock from the slowdown in the euro zone, especially in the first half of 2012.

Fiscal outlook

The 2011 budget closed with a deficit of CZK 142 billion, i.e., about 3.7% of GDP. Therefore, the fiscal target for 2011 was met, mainly due to cheaper-than-expected financing. The fiscal goal for 2012 is a deficit of CZK 105 billion or 3.2% of GDP.

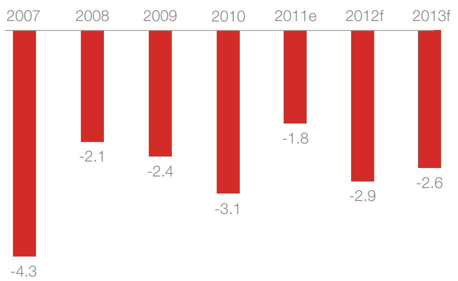
The key problem with the 2012 budget is that it is based on the assumption of 2.5% GDP growth, which is totally unrealistic. An amendment making the budget more realistic will be necessary. The dilemma of the government is whether to pursue the 2012 fiscal target or allow a bigger deficit to make the fiscal policy less pro-cyclical. The signals from the Ministry of Finance hint that the government tends to opt for keeping the fiscal target even in a recessionary situation, which implies a reinforcement of fiscal austerity by around 1% of GDP to be attained through further expenditure cuts and tax hikes.

In any case, public debt had reached about 40% of GDP by the end of 2011, which is 10 percentage points above its constant pre-recession level (2003 to 2008). Albeit, the debt is still comparatively low in European comparison, but servicing it poses a growing burden on public budgets. In 2011, the interest payments on central government debt had already reached 1.2% of GDP. The 2012 gross borrowing requirement of the central government is projected at CZK 243 billion or EUR 10 billion.

Equity market outlook

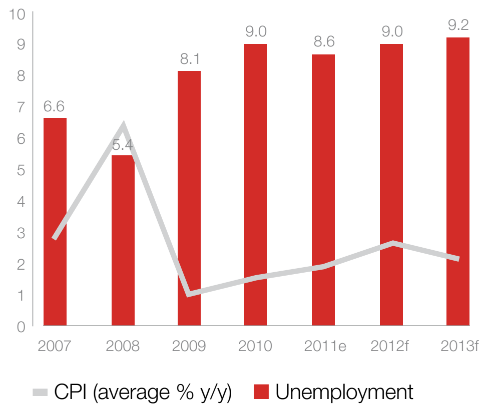
The Czech PX lost roughly 26% in 2011, and therefore, seems to have a split personality. On one hand, the index lost its aura of

Current account balance (% of GDP)



being a defensive equity index during 2011 due to the substantial weighting of banking stocks (Komerční banka and Erste Group Bank, the two of which account for 35% of the index weighting) and their weak price development (-44%). On the other hand, the two prime examples of defensive investment instruments (ČEZ and Telefónica C.R.; the two account for 36% of the index weighting) have exhibited a constant development significantly above the average compared to the index. Overall, the fundamentals for the PX seem attractive with the 6.7% dividend yield for 2011e, which justifies the slight valuation premium (P/E ratio 2012f: 9.7) compared to the Hungarian or Polish stock markets. However, because the Czech economy is closely tied to the euro zone, we expect GDP to decline by 1.2% in 2012. On account of the small political steps that have been taken towards solving the euro zone debt crisis thus far, we expect tensions on international capital markets to persist and the Czech equity market is not likely to decouple from these developments in a positive way. For this reason, we see a great potential for declines in the PX at the beginning of 2012 due to the weighting of banking stocks. The cautious assessment will continue until the middle of the year, although the price recovery in the second half of the year may be followed by significant price increases. The basic assumption is

Inflation outlook & unemployment



that there will be a clear improvement in the ability of euro zone policymakers to solve the debt problem, which should also boost sentiment for Czech stocks until year-end 2012.

Richard Malzer and Wolfgang Ernst, Raiffeisen Research, Raiffeisen Bank International

Current Developments on the Capital Market

PRAGUE STOCK EXCHANGE
BURZA CENNÝCH PAPÍRŮ PRAHA

Leading index	PX
Performance 2011 (30 Dec 2010–30 Dec 2011)	-25.61%
Performance since 2007 (30 Dec 2006–30 Dec 2011)	-42.66%
Equity market capitalization (30 Dec 2011)	EUR 29.20bn
Number of listed companies	26
Number of trading members	21
Number of securities (30 Dec 2011)	
▪ equity market	26
▪ bond market	95
▪ structured products	81
Legal framework	EU Capital Market Legislation, Capital Market Undertaking Act, Prague Stock Exchange Rules and Regulations

Petr Koblic, CEO of the Prague Stock Exchange

Like all international stock exchanges, the Prague Stock Exchange (PSE) experienced the third year of massive market turbulence in 2011. Although the core business of the stock exchange was under severe pressure, PSE was able to attain the budgeted results. This was mainly due to the exchange's strategy of diversifying revenues across more business lines and tight cost control. The Prague Stock Exchange now offers securities trading, securities clearing, settlement, OTC settlement, safe custody, issuer registration and services, data vending, commodity derivatives trading as well as clearing and settlement. Each of these product lines represents an almost equal share of the exchange's revenues. PSE will work on the further development of the different product lines to achieve even greater synergies on the cost side and will also focus on the various client groups with the aim of increasing cross-selling. Activities may include setting up new lines of business or discontinuing operations that are not performing.

Most of the decline in securities trading was not caused directly by the crisis. Unfortunately, some EU regulations have had an adverse effect on the securities industry, resulting in lower liquidity on the Czech capital markets than a few years ago. The Prague Stock Exchange is particularly concerned about most of the upcoming regulations which are actually harmful to smaller liberal markets, causing high costs and lowering the service level delivered to small regional investors. These regulations have a tendency of being more advantageous for the big investment banks, predominantly those from across the Atlantic. At the same time, the efforts to create a pan-European market put several smaller markets along with their smaller local market players and issuers in a comparatively disadvantaged position.

As usual, the Prague Stock Exchange concentrated the main thrust of its efforts on systems projects in 2011. The major task was the consolidation of the PX Group after the acquisitions of the Prague Securities Centre in 2010 and the creation of the Central Securities Depository Prague. PSE had to tackle many challenges in securities registration as the business model of the old depository, dating back to the mid-1990s, was already outdated. Many further modernization measures are planned to be carried out in 2012.

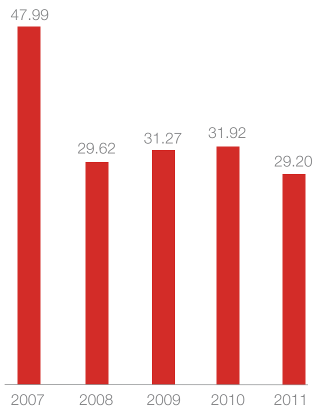
For 2012, it is planned to finish the implementation of CEESEG's common trading platform Xetra® at the Prague Stock Exchange and to introduce cross membership as well as to offer the trading members of the Prague Stock Exchange standard European clearing mechanisms.

Petr Koblic,
CEO of the Prague Stock Exchange

Key Figures of the Prague Stock Exchange

Equity market capitalization 2007 to 2011

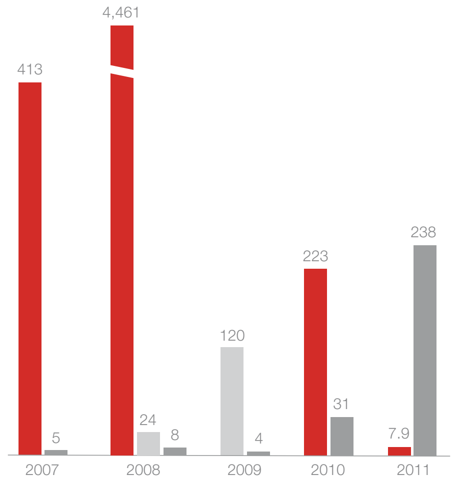
In 2011, market capitalization reached EUR 29.2 billion. Taking into account the listing of foreign companies, market capitalization reached EUR 41.1 billion at the end of 2011.



(in EUR bn / Source: FESE)

New share issues 2007 to 2011

There was one initial public offering in 2011. The company was E4U, which began trading in August 2011. The total volume of subscribed shares amounted to EUR 7.9 million. In addition, the exchange saw nine capital increases through four stock issues.

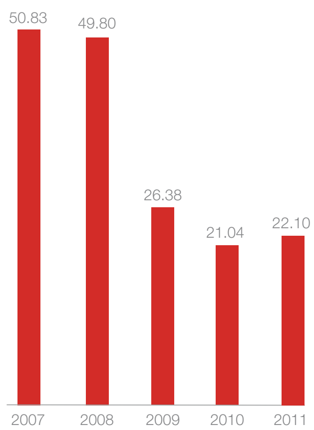


(in EUR m / Source: Prague Stock Exchange)

Initial public offering
Capital increase
Secondary public offering

Domestic equity trading 2007 to 2011

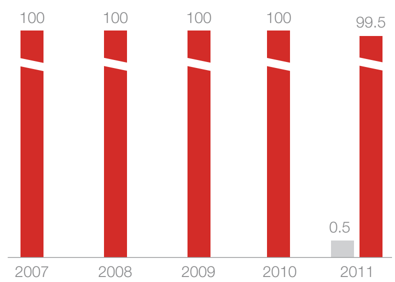
Domestic stock trading increased by 5.04% in 2011. The trading volume in shares, bonds and structured products (cash market) increased by 11.67% year-on-year.



(in EUR bn, double count / Source: FESE)

Trading volume of national and international members 2007 to 2011

Trading on the exchange had been only by local members until the exchange acquired two new foreign trading members in 2011. The new member EQUILOR Investment Ltd. with its headquarters in Hungary began trading in July. The second new member was Ipopema Securities S.A., which is headquartered in Poland. Ipopema started trading in October 2011. The two foreign companies accounted for 0.5% of total stock trading volumes.



(in % / Source: Prague Stock Exchange)

International
National

The Largest Companies on the Prague Stock Exchange

The PX is the official index of the Prague Stock Exchange. It is a capitalization-weighted price index made up of the most actively traded blue chips of the Prague Stock Exchange. As of the end of 2011, 14 stocks were traded on the SPAD segment for securities with the highest liquidity on the market.

The PX includes the following companies:

- AAA Auto Group
- Central European Media Enterprises
- ČEZ
- Erste Group Bank
- Fortuna Entertainment Group
- KIT Digital
- Komercní banka
- New World Resources
- Orco Property Group
- PEGAS NONWOVENS
- Philip Morris ČR
- Telefónica C.R.
- UNIPETROL
- VIENNA INSURANCE GROUP

The following profiles focus on the five PX companies with the highest trade volumes.

CEZ GROUP

Business segment: Power engineering
Market capitalization: EUR 16,581.12m
Free float: 30.2%
ISIN Code: CZ0005112300
Bloomberg: CEZ CP
Reuters: CEZP.PR
IR Officer: Barbara Seidlová

www.cez.cz

ČEZ

ČEZ Group is an energy utility based in the Czech Republic that operates in several countries of Central and South–eastern Europe as well as in Turkey. The group is engaged in the production, distribution, and supply of electricity and heat, in coal mining and the sale of natural gas. ČEZ Group operates nuclear, coal, hydro, wind and solar power plants.

ERSTE GROUP

Business segment: Banking
Market capitalization: EUR 5,309.32m
Free float: 64.7%
ISIN Code: AT0000652011
Bloomberg: ERBAG CP
Reuters: ERST.PR
IR Officer: Thomas Sommerauer

www.erstegroup.com

Erste Group Bank

Erste Group was founded in 1819 as the first Austrian savings bank ("Erste oesterreichische Spar-Casse"). In 1997, Erste Group went public with a strategy to expand its retail business into Central and Eastern Europe. Since then, Erste Group's customer base has grown through numerous acquisitions and organic growth from 600,000 to almost 17 million.

Business segment: Banking

Market capitalization: EUR 4,963.15m

Free float: 39.6%

ISIN Code: CZ0008019106

Bloomberg: KOMB CP

Reuters: BKOM.PR

IR Officer: Jakub Černý

www.kb.cz

Komerční banka

Komerční banka is one of the most efficient universal banks in Central Europe. It provides its clients with comprehensive services in retail, corporate and investment banking, using its wide network of 396 branches throughout the Czech Republic. A 60% share in Komerční banka is controlled by Société Générale, France.

Business segment: Mining, processing of minerals and ores

Market capitalization: EUR 1,407.72m

Free float: 36.4%

ISIN Code: GB00B42CTW68

Bloomberg: NWR CP

Reuters: NWRR.PR

IR Officer: Agnes Blanco Querido and Radek Němeček

www.newworldresources.eu

New World Resources

NWR produces quality coking and thermal coal for the steel and energy sectors in Central Europe through its subsidiary OKD, a.s., the largest hard coal mining company in the Czech Republic. NWR's coke subsidiary, OKK Koksovny, a.s., is Europe's largest producer of foundry coke. NWR has two development projects in Poland, Debiensko and Morcinek.

Business segment: Telecommunications

Market capitalization: EUR 4,838.45m

Free float: 30.6%

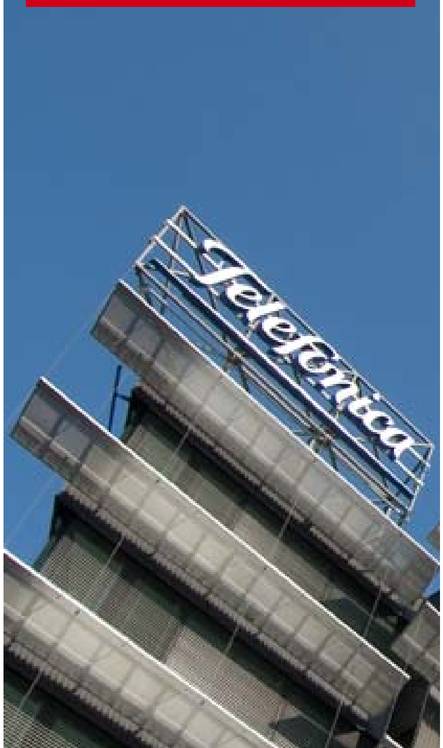
ISIN Code: CZ0009093209

Bloomberg: SPTT CP

Reuters: SPTT.PR

IR Officer: Jakub Hampl

www.telefonica.cz



Telefónica C.R.

Telefónica C.R. is a leading integrated telecommunications operator on the Czech market. It operates nearly eight million mobile and fixed lines, making it one of the largest providers of fully convergent services worldwide. It offers the most comprehensive portfolio of voice and data services; it is also a leading provider of ICT services in the country.

Company Profile

Prague Stock Exchange (PSE) is the largest and oldest securities market organizer in the Czech Republic. After a 50-year hiatus brought about by World War II and the Communist regime, it was reopened in 1993. Thus PSE resumed the activities of the Prague Commodities and Stock Exchange founded in 1871.

PSE is by law a joint-stock company. Its largest shareholder is CEESEG Aktiengesellschaft, with a 92.739% ownership interest. The General Meeting of Shareholders is the supreme executive body, the Exchange Chamber is the statutory body managing the Stock Exchange's operations, and the Supervisory Board oversees its operations and overall functioning. The Company is managed by the Chief Executive Officer, who is appointed and recalled by the Exchange Chamber. Trading is conducted through licensed traders who are also members of the Exchange.

Exchange trading results and other data are published at www.pse.cz and also are disseminated via information agencies and the media.

The Stock Exchange is a member of the Federation of European Securities Exchanges (FESE), and the US Securities and Exchange Commission (SEC) has included PSE on its list of stock exchanges safe for investors by granting it the status of "Designated Offshore Securities Market".

PSE and its subsidiaries comprise the PX group. In addition to the Stock Exchange, the most important members in the group are POWER EXCHANGE CENTRAL EUROPE, a.s. (PXE) and Central Securities Depository Prague (CSDP). PXE was founded in 2007 and is a new trading platform for dealing in electricity for the Czech Republic, Slovakia and Hungary. CSDP has the principal position in the settlement of securities trades on the Czech capital market, maintains the central register for dematerialized securities issued in the Czech Republic, and assigns international securities identification numbers (ISIN) to investment instruments.

PSE is a member of the CEE Stock Exchange Group (CEESEG), which also includes three other Central European stock exchanges: the Vienna Stock Exchange (Wiener Börse), Budapest Stock Exchange (Budapesti Értéktőzsde) and Ljubljana Stock Exchange (Ljubljanska borza). The Group debuted among international stock exchange markets as a new and strong player in September 2009, and today it is the largest exchange group in the CEE region. From a single location, it provides access to information on four markets with potential for long-term, rapid growth. All exchanges in the Group cooperate as equal partners. Each exchange separately and individually develops and supports its domestic market, while on the international level the exchanges stand united as CEESEG.

Highlights of 2011

26 January 2011

New trading hours
The Prague Stock Exchange extended trading hours by 20 minutes. It is now possible to execute trades until 4:20 p.m. (previously 4:00 p.m.) within the continuous trading regime, SPAD and block trading. The closing auction for selected securities takes place from 4:20 to 4:27 p.m. (previously from 4:00 to 4:07). The PX Index is calculated at intervals from 9:11 a.m. until 4:27 p.m. (originally it was calculated from 9:11 to 4:07).

6 May 2011

Start of trading in New World Resources Plc shares
Trading on Prague Stock Exchange in shares issued by New World Resources Plc (ISIN: GB00B42CTW68) was initiated under the name NWR. Shares were offered in exchange for those of New World Resources N.V. (ISIN: NL0006282204) at a ratio of one to one. This offer had been made in connection with the so-called reincorporation of the company in the UK. Trading in the original New World Resources N.V. share issue (under the new name NWN) was discontinued on 3 June 2011.

27 July 2011

Equilor Investment Zrt. – new exchange member
The Hungarian securities dealer Equilor Investment Zrt. became a new member of Prague Stock Exchange. It became the first wholly foreign member. The firm is headquartered in Budapest, from where all activities related to the Prague market are administered and executed. Equilor Investment Zrt. had been a founding member of the Budapest Stock Exchange, where it is one of the most active traders.

25 August 2011

Initiation of trading in E4U share issue
Trading in shares issued by the company E4U a.s. (Energy for You) was initiated. The company's shares are traded on the Exchange's regulated free market with automatic and block trading under the name E4U (ISIN: CZ0005123620). CYRRUS, a.s., a member of Prague Stock Exchange, was appointed as so-called patron to support the liquidity of this issue.

21 October 2011

IPOPEMA Securities S.A. – new exchange member
The Polish securities dealer IPOPEMA Securities S.A. became a new member of Prague Stock Exchange. The company is headquartered in Warsaw, from where all activities related to the Prague market are administered and executed. IPOPEMA Securities S.A. is also a member of the exchanges in Budapest and Warsaw.

Key Data

	2011	2010	2009	2008	2007	2006	2005
Number of exchange days	253	252	250	252	250	251	253
SHARES							
Total trading volume (CZK bn)	371.0	389.9	463.9	852.0	1,013.0	848.9	1,041.2
Average total daily volume (CZK mn)	1,466.3	1,547.1	1,855.4	3,381.1	4,052.1	3,382.1	4,115.3
Equity market capitalization (CZK bn, year-end)	1,060.8	1,388.0	1,293.5	1,091.7	1,841.7	1,592.0	1,330.8
Number of equity titles (year-end)	26	27	25	28	32	32	39
PX index (year-end)	911.1	1,224.8	1,117.3	858.2	1,815.1	1,588.9	1,473.0
BONDS							
Total trading volume (CZK bn)	628.0	529.9	585.7	643.2	508.9	598.9	533.2
Average total daily volume (CZK mn)	2,482.3	2,102.8	2,342.8	2,552.2	2,035.4	2,386.1	2,107.7
Number of bond issues (year-end)	95	106	116	121	132	110	96
OTHER PRODUCTS							
INVESTMENT CERTIFICATES AND WARRANTS							
Total trading volume (CZK mn)	133.9	170.2	261.1	469.1	1,229.5	5.2	
Number of issues (year-end)	81	42	67	49	41	8	
FUTURES							
Total trading volume (CZK mn)	194.3	189.7	201.6	688.9	1,879.9	32.2	
Number of series (year-end)	6	6	6	6	6	2	

Trading and Securities

As at the end of 2011, 26 share issues, 95 bond issues, 24 coupon (strips) issues, 81 certificate and warrant issues, and 6 futures issues were traded on the Stock Exchange.

In August 2011, the shares issue from the energy company E4U a.s. was accepted to the Stock Exchange's free market. This IPO demonstrates that even a small company is able to enter the Czech capital market.

Numerous secondary stock offerings occurred throughout the year for issues on the main market. KIT Digital, Inc., Orco Property Group S.A. and Erste Group Bank A.G. repeatedly introduced tranches of new shares to the Exchange.

New World Resources N.V. reincorporated the company into the United Kingdom during 2011. As part of this process, investors were offered to exchange existing shares of New World Resources N.V. for new shares of the company New World Resources Plc, which were then introduced to the Stock Exchange's main market.

In addition to two new issues of state bonds, trading in 20 tranches of state bonds also was initiated. Seven new bond issues and 54 issues of investment certificates and warrants were accepted to the Stock Exchange's free market. In May, trading was commenced for a new bonds issue from the City of Prague. Issues from Cetelem ČR, a.s., ABS Jets, a.s., and J&T Global Finance I., B.V. were among other bonds accepted.

In 2011, the Exchange introduced the function of the so-called patron. The role of patron is performed by an exchange member whose duty is to support liquidity by maintaining offers and bids within the continuous trading regime. CYRRUS, a.s. performs the function of patron for the E4U issue.

Audit Activities

In accordance with the Stock Exchange's new organizational rules valid from 1 November 2010, all activities of the Inspection Department were transferred to the competence of the Trading and Securities Department. The Inspection Department was eliminated as a separate department as from that date.

Analytical monitoring continues to be the fundamental procedure among the Stock Exchange's audit activities. It is used in conjunction with other types of investigation to continually search out and examine trades in which the Exchange Rules and other generally binding regulations may be violated. Audit software is critical to these activities. While providing auditors access to all data regarding the exchange trading system, this software contains selected functions for detecting regulatory violations. The priority of audits is to discover cases of regulatory violations in a timely manner, thereby minimizing their negative consequences, and, in cooperation with the members, to identify the causes thereof and adopt appropriate remedial measures. The Stock Exchange's audit activities are based on continuous analytical monitoring, including daily monitoring and analysis of exchange trade system data and follow-up communication with members concerning indicated breaches of the Exchange Rules. In 2011, approximately 450 cases were investigated in this manner.

The instances of Exchange Rules violations particularly concerned issues of market transparency (such as orders with high limit price deviation from the market price, failures to comply with trade registration deadlines, unauthorized self-dealing, failure properly to execute customer orders by instruction type, and failure to provide customers proper information about how each type of instruction is executed). The vast majority of those breaches of Exchange Rules identified were resolved between the Stock Exchange and members.

In connection with the planned transition to the Xetra® trading system, the Exchange is also preparing for changes in audit activities and new conditions in relation to the new trading system, which likely will lead to entirely new audit methods corresponding to the new trading system.

Settlement of Exchange Trades

The settlement system for both exchange and OTC securities trades is operated by Central Securities Depository Prague, a fully owned subsidiary of PSE. The central depository also maintains the central register for dematerialized securities issued in the Czech Republic and assigns international securities identification numbers (ISIN) to investment instruments.

Central Securities Depository Prague provided for settlement in Czech crowns by means of payment orders sent to the Czech National Bank Clearing Centre (CC CNB). In 2011, CSDP sent approximately 275,000 orders to the CC CNB in total volume of CZK 3,798 billion, up by 1.5% year on year. The volume of securities exchange trades and OTC transactions settled by CSDP in 2011 reached CZK 3,580.3 billion, which is 0.8% more than in 2010. Despite the increase in the volume of settled trades as compared to 2010, it marked the third poorest performance since 2005. The reason for this remains the continuing uncertainty on financial markets. CSDP's share in the volume of all settled trades and transactions on the Czech capital market grew slightly to 99.9%. Of the total volume of transactions settled by the central depository, exchange trades and OTC transactions accounted for 24.62% and 75.38%, respectively.

Corporate Responsibility

Prague Stock Exchange continued its sponsorship activities in 2011, including its sponsorship of education. PSE contributes to the education of students by offering lectures. There is a tradition of visits by students from secondary schools and universities to the PSE's building, where capital market experts explain to them what takes place at the Stock Exchange and how it is run. The Exchange welcomes approximately 1,000 such young visitors each year. Of course, PSE personnel also lecture regularly at schools and universities.

Collaboration between the Exchange and the Jan Hus Foundation is another tradition. In past years, the Company supported the *Ius et Societa* competition, which annually awards a prize for the essay presenting the most interesting ideas, viewpoints and questions relating to the role of law and justice in society. In 2011, PSE decided to continue its collaboration with this foundation, and this time by supporting the Jan Hus Foundation scholarship. The purpose of this project is to support universities and, in particular, young university teachers and post-graduate students.

In 2011, the Stock Exchange expanded its sponsorship activities in another direction, providing support for the Mental Power Prague Film Festival. This international film festival of (non)actors with mental and combined disabilities enables people with handicaps to participate in the world of film. The main idea of the festival is to create an environment for artistic self-expression by people with disabilities and thus contribute to their intellectual development.

The Exchange also contributed to the Kolping Family charitable organization, which focuses on providing social services to families affected by social exclusion, and in particular single mothers in difficult life situations. These include especially providing sheltered accommodation, social and legal counselling, social assistance services for families with children, and emergency help.

Given the many important areas in society in need of support, Prague Stock Exchange intends to continue its sponsorship activities going forward.

Information and Trading System

During 2011, the IT Division directed its efforts especially to further developing the activities of the Central Securities Depository, transferring electricity trading at POWER EXCHANGE CENTRAL EUROPE to the new Trayport GlobalVision system, and extensively developing and transforming the technological infrastructure of the PX group's systems with an emphasis on further enhancing the accessibility and security of the information system and data.

PSE is preparing for implementation of the new Xetra® trading system. In 2011, analytical work was resumed, a project schedule was prepared, and a system launch date was established for October 2012. The IT Division contributed in this phase by analysing system implementation and preparing documents, and by the end of the year implementation work was initiated in relation to technology for connecting the exchanges and their members in Prague and Vienna.

For the IT Division, 2011 marked a year of technological changes due to the large number and complexity of projects. One of the most important is implementation of the desktop virtualization project as a solution strengthening the security of information and data in the PX group systems. That system was successfully implemented in the first half of the year at one department of CSDP working with sensitive data. In the second half, a solution was prepared for another department of the central depository. This solution, to be implemented during 2012, is based on VMWare and Microsoft software. It will allow a user to work simultaneously on a single computer in two independent interfaces (standard and virtual secure), between which information cannot be shared except through defined secure channels. The complexity of implementation is due not only to the solution's technical sophistication, but also to the fact that the established security requirements necessitate certain changes in work methods.

The aim of the server virtualization project was to prepare a new, robust infrastructure that will enable the use of new application servers and migration of old servers into this infrastructure. The main advantages of this platform are its flexibility in executing new requirements and changes, high accessibility of systems, simplification of system administration, and reduction in costs of implementing new servers.

Along with virtualization and high accessibility, it was also necessary to address broadband connection of the primary and back-up locations. The new data connection of the primary and back-up workstations based on broadband connections over Fibre Channel Protocol and Ethernet will ensure the necessary data throughput and synchronization of systems at the primary and back-up workstations.

The IT Division also devoted great efforts to security. In close cooperation with the Security Division, it participated in further improving the information security management system (ISMS) in accordance with international standards. This collaboration involved analysing and adopting a number of internal security policies, processing and introducing documentation for operating processes, and implementing a number of security measures, including internal controls. In the context of security projects implementation, also worthy of note is the network segmentation consisting in separation of servers from PCs, launch of the intrusion prevention system (IPS), centralized storing of certificates, and more.

For purposes of software audit and record maintenance, software was purchased and installed that enables more efficient scanning of software installed on devices and regular evaluation of the status of licensed software based on a record of purchased licences. The system was put into test operation at the end of the year.

Due to the growing number of messages arriving via data boxes, a secure data messages storage system was proposed in the second quarter and then implemented across PX group. The robust system is based on two independent storage locations, each controlling the other, and ensures that no data messages will get lost.

For purposes of management and training, an independent WiFi network was put into service, thus enabling broadband internet connection especially of mobile devices.

Work in implementing a system for automated collection and evaluation of operating and security events from various systems and devices (a so-called log concentrator) continued, with more devices being connected and the creation of reports being tested. The system was put into live operation at the start of 2012, and regular reports began to be generated for connected systems. The number of connected devices and reports will continue to grow.

In November, the Information Service Broker (ISB) and archiving and analytical system (AAS) technologies were transferred from the company Asseco to CSDP. The preparation, actual transfer and connection took place seamlessly, and now the systems are under the central depository's full control. This step was preceded by the necessary technical modernization of the power and air-conditioning systems, consisting in installation of new uninterruptible power supply (UPS) systems and installation of additional air conditioning units in computer rooms.

In November and December, a cumulative package of repair software for the primary iSeries computing platform was installed. The transfer process was well prepared and was performed with no undesirable impacts on group systems operation.

At the very end of the year, an external company performed penetration tests which found no serious deficiencies in internet connection security.

Non-consolidated Financial Results

Income Statement

(in CZK thousand)	2011	2010	2009
Revenues from business activities	248,362	241,390	256,302
Operating expenses	127,180	133,637	132,379
Operating profit	121,182	107,753	123,923
Net financial income	14,613	24,886	26,803
Profit before income tax	135,795	132,639	150,726
Income tax expense	24,183	17,997	26,375
Net profit	111,612	114,642	124,351

Statement of Changes in Equity and Financial Position

(in CZK thousand)	2011	2010	2009
Share capital	265,216	265,216	265,216
Shareholders' equity	430,009	430,849	434,493
Statutory reserve fund	53,043	50,961	44,743
Retained earnings	111,750	114,672	124,534
Earnings per share (CZK)	42.1%	43.2%	46.9%

Exchange Bodies

Exchange Chamber

Brief description of activities:
The Exchange Chamber, which has six members elected by the General Meeting of Shareholders, is the Exchange's statutory body, controlling the Exchange's activities and acting on its behalf.

Number of meetings in 2011: 11

Chairperson of the Exchange Chamber and Chief Executive Officer of Prague Stock Exchange:
Petr Koblic, date of birth: 22 February 1971
Date of assuming office: 8 August 2007
Member of the Board since: 25 June 2007

Vice-Chairpersons of the Exchange Chamber:
Michael Buhl, date of birth: 18 February 1959
Member since: 8 December 2008

Hannes Takacs, date of birth: 20 November 1964
Member since: 8 December 2008

Members of the Exchange Chamber:
Ludwig Nießen, date of birth: 19 October 1957
Member since: 28 May 2009

Helena Čacká, date of birth: 25 January 1956
Member since: 28 May 2009

David Kučera, date of birth: 29 September 1968
Member since: 1 July 2009

Changes in 2011:
None

Supervisory Board

Members of the Supervisory Board:
Martin Roman, date of birth: 29 October 1969
ČEZ, a. s.
Member since: 10 June 2010

Jan Klenor, date of birth: 9 February 1966
Patria Finance, a.s.
Member since: 28 May 2009

Daniel Heler, date of birth: 12 December 1960
Česká spořitelna, a.s.
Member since: 28 May 2009

Jan Sýkora, date of birth: 18 January 1972
WOOD & Company Financial Services, a.s.
Member since: 20 April 2010

Jan Vedral, date of birth: 13 March 1967
Conseq Investment Management, a.s.
Member since: 27 April 2011

Changes in 2011:
New member of the Supervisory Board as at 27 April 2011:
Jan Vedral, date of birth: 13 March 1967
Conseq Investment Management, a.s.
Member since: 27 April 2011

Recall of a member of the Supervisory Board as at 12 April 2011:
Milan Šimáček, date of birth: 25 June 1963
Exportní, garanční a pojišťovací společnost, a.s.

Exchange Membership Committee

The objectives of the Exchange Membership Committee are to consider whether trading members duly comply with the conditions of their membership on the Exchange and the applicable obligations, to adopt measures to ensure conformity between the activities of trading members and the Exchange Rules and legal regulations, and to discuss proposals for the approval and termination of membership in the Exchange.

Chairperson:

Jiří Opletal	Prague Stock Exchange

Secretary:

Jana Horová	Prague Stock Exchange

Members:

Tomáš Choutka	Komerční banka, a.s.
Martina Johnová	WOOD & Company Financial Services, a.s.
Leoš Pěta	Česká spořitelna, a.s.
Aleš Mátl	UniCredit Bank Czech Republic, a.s.
Petr Novotný	BH Securities a.s.
Andrej Šnajder	J & T BANKA, a.s.
Alena Vodičková	Patria Finance, a.s.

Member Andrej Šnajder and Secretary Jana Horová were newly appointed as from March 2011, while members Alena Vodičková and Petr Novotný were re-appointed (due to the expiration of their terms). The Committee thus continues to have nine members. The Membership Committee held one meeting in 2011, at which it discussed, in particular, the membership requests of two foreign companies – Equilor Investment (Hungary) and IPOPEMA Securities (Poland). English was established as the language for communications with foreign dealers.

Exchange Trades Committee

The Exchange Trades Committee voted upon changes to trading parameters in 2011. In April, a vote was taken on accepting the issue of New World Resources Plc (ISIN: GB00B42CTW68) to SPAD and setting its trading parameters. At its two meetings, the Committee also discussed the methods of trading after transfer to the new Xetra® Prague trading system.

Chairperson:

Jiří Opletal	Prague Stock Exchange

Members:

Michal Řízek	Česká spořitelna, a.s.
Jiří Deml	UniCredit Bank Czech Republic, a.s.
Filip Kejla	WOOD & Company Financial Services, a.s.
Pavel Krabička	Česká spořitelna, a.s.
Jan Langmajer	ATLANTIK finanční trhy, a.s.
Tomáš Otáhal	Patria Finance, a.s.
Bohumil Pavlica	BH Securities a.s.
Oldřich Pavlovský	Patria Finance, a.s.
Pavel Pikna	CYRRUS, a.s.
Radek Neumann	Komerční banka, a.s.
Richard Skácel	Raiffeisenbank a.s.
Lubomír Vystavěl	ING BANK N. V. (CZ)
Jan Pavlík	WOOD & Company Financial Services, a.s.

Changes in 2011:

Changes occurred with respect to committee seats during 2011. A representative of Komerční banka (Radek Neumann) and a representative of Česká spořitelna (Michal Řízek) were appointed as new members.

Listing Committee
Exchange Committee for Accelerated Listing

Chairperson of both committees:
Petr Koblic, Prague Stock Exchange

The Listing Committee has 12 members and takes decisions regarding the acceptance of securities onto the main market for trading. The Listing Committee put to a per-rollam vote the acceptance of a new share issue in 2011. This issue was of foreign shares from the issuer New World Resources Plc, which were accepted onto the main market in May as part of the process of that company's reincorporation in the United Kingdom. The shares are also traded on the exchanges in London and Warsaw.

The Exchange Committee for Accelerated Listing decides on the acceptance of individual bond programme issues for trading and of individual tranches already accepted for trading to join the main market. The Exchange Committee for Accelerated Listing has three members and held nine regular meetings in 2011. It decided upon accepting tranches of shares issued by Erste Group Bank AG, KIT Digital, Inc., New World Resources Plc, and Orco Property Group S.A.

Security Committee,
Internal Audit Committee

In 2011, the Security Committee analysed and re-evaluated the information security requirements and established principles and objectives for the PX group to be achieved in this area. The conclusions were then incorporated into the underlying documents – the information security management system (ISMS) specifications and policies, security directives, and operational security directives. By means of these documents, the group's management stated its strategy for continually safeguarding information security as part of its management processes.

The group's information security management stems from the fundamental principles of the ISO 27000 series standards, decisions and recommendations of the supervisory authority (Czech National Bank), and legal regulations.

The Committee also directed its attention to the implementation and operation of individual security measures the principles of which are based on the approved ISMS policy, and especially in the areas of information access management, confidentiality protection and information integrity, management of security incidents, and monitoring of adherence to ISMS principles.

Activity of the internal audit and the Internal Audit Committee focused especially on monitoring the compliance of the PX group's ISMS policy with the requirements of ISO/IEC 27000 standards as well as on the aforementioned individual priority areas of information security. This resulted in the adoption and implementation of a number of corrective measures.

The established information security system significantly reduced the possibility for information leakages and breaches of integrity. Access to confidential information as well as the possibility of handling information were restricted, and rigorous information protection rules were reinforced.

Exchange Shareholders

Shareholders of Prague Stock Exchange as at 31 December 2011

	Shareholder	Shares (qty)	Share in registered capital (%)
1	Brněnská obchodní, a.s. v likvidaci	100	0.038%
2	CAPITAL PARTNERS a.s.	100	0.038%
3	EASTBROKERS, akciová společnost v likvidaci	10	0.004%
4	Fio Banka, a.s.	100	0.038%
5	GE Money Bank, a.s.	17,388	6.556%
6	GES INVEST, a.s.	1,000	0.377%
7	ICEBERG A.S. v likvidaci	40	0.015%
8	Merx a.s., v likvidaci	20	0.008%
9	Moravia Banka, a.s. v likvidaci	500	0.189%
10	CEESEG Aktiengesellschaft	245,958	92.739%

Trading Members

Two new members were accepted in 2011. Both are foreign companies and trade from their headquarters. Moreover, the membership of ATLANTIK finanční trhy, a.s. was cancelled (being taken over by J & T BANKA, a.s.).

New trading members:

July 2011 – Equilor Investment Ltd., registered office in Budapest, Hungary
October 2011 – IPOPEMA Securities S.A., registered office in Warsaw, Poland

Trading members as at 31 December 2011:

- BH Securities a.s.
- CYRRUS, a.s.
- Česká spořitelna, a.s.
- Českomoravská záruční a rozvojová banka, a.s.
- Československá obchodní banka, a. s.
- Deutsche Bank Aktiengesellschaft Filiale Prag, organizační složka
- Equilor Investment Ltd.
- Fio banka, a.s.
- ING Bank N. V.
- IPOPEMA Securities S.A.
- J & T BANKA, a.s.
- Komerční banka, a.s.
- LBBW Bank CZ a.s.
- Patria Finance, a.s.
- PPF banka a.s.
- Raiffeisenbank a.s.
- The Royal Bank of Scotland N. V.
- UniCredit Bank Czech Republic, a.s.
- WOOD & Company Financial Services, a.s.

Membership by law:

- Czech National Bank
- Ministry of Finance of the Czech Republic

Report on Relationships between Controlling and Controlled Undertaking and Relationships between Controlled Undertaking and other Undertakings Controlled by the Same Controlling Undertaking in Fiscal Year 2011

In accordance with the provisions of Art. 66a (9) of Act 513/1991 Coll., the Commercial Code, as amended (hereinafter the "Commercial Code"), the Exchange Chamber of **Burza cenných papírů Praha, a.s.** hereby issues this Report on Relationships between

Controlling Undertaking **CEESEG Aktiengesellschaft,** with its registered office at Wallnerstraße 8, 1010 Vienna, entered in the Commercial Register maintained by Handelsgericht Wien, FN 161826f (hereinafter the "Controlling Undertaking" or "CEESEG")
And
Controlled Undertaking **Burza cenných papírů Praha, a.s.**, with its registered office at Rybná 14/682, Prague 1, ID No. 47115629, entered in the Commercial Register kept on file at the Municipal Court in Prague, Section B, Insert 1773 (hereinafter the "Controlled Undertaking" or "PSE").

in the 2011 fiscal year.

The report also provides information on the relationships between the Controlled Undertaking and other affiliated undertakings. These are:
- **Wiener Börse AG**, with its registered office at Wallnerstraße 8, 1014 Vienna, Austria ("WB")
- **Ljubljanska borza, d. d., Ljubljana**, with its registered office at Slovenska 56, 1000 Ljubljana, Slovenia ("LB")
- **Budapest Stock Exchange**, with its registered office at H - 1364 Budapest, Pf. 24., Hungary ("BSE").

As of 31 December 2011, the Controlling Undertaking holds a 100% stake in WB, an 81.01% stake in LB, and a 50.45% stake in BSE.

The report provides a list of agreements entered into between these undertakings during the 2011 fiscal year, other legal steps between the affiliated undertakings in their interest, and a list of all measures adopted or executed by the Controlled Undertaking in the interest of or upon a request from such undertakings.

The report is issued in writing and is included in the Annual Report, in accordance with the applicable regulations. This report does not contain a description of the relationships between the Controlled Undertaking and its subsidiaries.

The list of subsidiaries and companies controlled by the Controlled Undertaking is provided hereunder:

- **Central Clearing Counterparty, a.s.**, with its registered office at Prague 1, Rybná 14/682, ID No.: 28381696;
- **Energy Clearing Counterparty, a.s.**, with its registered office at Prague 1, Rybná 682/14, ID No.: 28441681;
- **CENTRAL COUNTERPARTY, a.s.**, with its registered office at Prague 1, Rybná 14/682, ID No.: 27122689;
- **Centrální depozitář cenných papírů, a.s.,** with its registered office at Prague 1, Rybná 14, ID No. 25081489;

- **POWER EXCHANGE CENTRAL EUROPE, a.s.**, with its registered office at Prague 1, Rybná 14, ID No.: 27865444.

The description of the relationships between the companies and Burza cenných papírů Praha, a.s. (Prague Stock Exchange) is provided in the reports on the relationships of individual companies specified in this list.

Agreements

The business relationships between the Controlling and Controlled Undertakings were regulated by the following agreements during the 2011 fiscal year; on the basis of the agreements the following payments were made:

Agreement entered into on	Agreement title	Description	Payments (including VAT)
1 August 2011	Agreement on the opening of an account in the securities central register and the provision of related services	Opening and management of a securities asset account in the Central Securities Depository; The remuneration depends on the volume of securities registered in the asset account	0

The business relationships between the WB and the Controlled Undertaking were regulated by the following agreements during the 2011 fiscal year; on the basis of the agreements the following payments were made:

Agreement entered into on	Agreement title	Description	Payments (including VAT)
18 August 2009	Data Vending Cooperation Agreement, as amended by Addendum No. 1 dated 12 August 2011	Cooperation relating to the trading of information	EUR 63,800
1 July 2009	FRAMEWORK AGREEMENT - INDEX LICENSING BUSINESS	Framework agreement relating to the trading of indexes	EUR 7,000
23 December 2011	MASTER FRAMEWORK AGREEMENT	Framework agreement relating to the transfer of the technical trading system to a single XETRA trading system	0
23 December 2011	Supplement Agreement for TTR Services, Supplement Agreement for Remote Member Services, Supplement Agreement for Market Maintenance Services, Supplement Agreement for Index Services, Supplement Agreement for Connectivity Services, Supplement Agreement for Exchange Services	Supplementary agreements relating to the services provided by PSE in connection with the MFA above	0

No agreements were entered into between LB and the Controlled Undertaking during the 2011 fiscal year; no services were provided and no payments made.

No agreements were entered into between BSE and the Controlled Undertaking during the 2011 fiscal year; no services were provided and no payments made.

Legal Acts and other measures
On 27 April 2011 Burza cenných papírů Praha, a.s. held the 20th Annual General Meeting of Shareholders and adopted the following decisions:

- Approval of the report on the business operations of the exchange and the balance of exchange assets in 2010;
- Approval of regular exchange financial statements and the decision regarding the allocation of profits;
- Approval of the 2010 consolidated financial statements;
- Approval of the 2011 exchange principles of operation and management;
- Discussion and approval of amendments to the Articles of Association, as regards the status and organization of BRS
- Recall of Mr. Milan Šimáček from the position of member of the Supervisory Board, and appointment of Mr. Jan Vedral,
- Approval of the Exchange Chamber Member Incumbency Agreement, including approval of the limits on the amount and type of remuneration for Exchange Chamber members for the period from the date of the Annual General Meeting to the date on which a regular Annual General Meeting of shareholders is held in 2012,
- Discussion on the report of the supervisory board regarding inspection activity, including the auditor's report and the review of the report on affiliated entities
- Appointment of the auditor for the exchange
- Change in the form of the exchange's shares, to dematerialised shares.

The next Annual General Meeting was held on 9 November 2011. The only item on the agenda was the cancellation of Resolution No. 12 regarding the change in the form of shares adopted during the Annual General Meeting held on 27 April 2011.

No other measures or legal actions were adopted or executed between the undertakings concerned.

The Exchange Chamber of the PSE declares that the Controlled Undertaking did not suffer any detriment from the agreements specified above, other measures and actions, or from any other accepted or provided performance.

Prague, 15 March 2012

....	....
Petr Koblic	Helena Čacká
Chairperson of the Exchange Chamber	Member of the Exchange Chamber

Report of the Supervisory Board regarding Inspection Activity Submitted for Approval to Stock Exchange Shareholders during the 20th Regular General Meeting of Shareholders Held on 27 April 2011

1. Opinion regarding the Report on the Business Operations of the Exchange and the Balance of Exchange Assets

The Supervisory Board discussed the Report on the Business Operations of the Exchange and the Balance of Exchange Assets in 2011. The Supervisory Board has no comments on the submitted Report, and therefore the Supervisory Board recommends the approval of the Report by the General Meeting of Shareholders.

2. Report on the Review of 2011 Annual Regular and Consolidated Financial Statements and the Decision regarding the Distribution of Profit and Dividend Payment.

In accordance with Article 35 of the Articles of Association of the Prague Stock Exchange, the Supervisory Board reviewed the audited 2011 Regular and Consolidated Financial Statements and studied the auditor's report.

The Supervisory Board approves the Consolidated Financial Statements, the Financial Statements of the Prague Stock Exchange and the submitted proposal for the distribution of profit.

The Supervisory Board recommends that the 2011 Consolidated Financial Statements, the Regular Financial Statements and the Stock Exchange Chamber's proposal for the distribution of profit be approved by the General Meeting of Shareholders.

The Supervisory Board agrees with the Stock Exchange Chamber's proposal regarding the payment of a dividend to shareholders in the amount of CZK 421 per share, and recommends that the payment of the dividend in this amount be approved by the General Meeting of Shareholders.

3. Review of the Report on the Relationships between Affiliated Undertakings

The Supervisory Board also reviewed the report on affiliated undertakings, and states that it has no objections thereto and recommends it for approval by the General Meeting.

Prague, 2 April 2012

………………………………
Jan Klenor
Chairperson of the Supervisory Board
Burza cenných papírů Praha, a.s.

KPMG Česká republika Audit, s.r.o.
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This document is an English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

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

Financial statements

We have audited the accompanying financial statements of Burza cenných papírů Praha, a.s. ("the Company") for the year ended 31 December 2011 disclosed on pages 64 - 93 ("the financial statements") and issued the opinion dated 13 March 2012 and disclosed on pages 62 - 63. We have also audited consolidated financial statements of the Company for the year ended 31 December 2011 disclosed on pages 96 - 135 and issued the opinion dated 13 March 2011 and disclosed on pages 94 - 95.

Report on relations between related parties

We have reviewed the factual accuracy of the information disclosed in the report on relations between related parties of Burza cenných papírů Praha, a.s. for the year ended 31 December 2011. The responsibility for the preparation and factual accuracy of this report rests with the Company's statutory body. Our responsibility is to express our view on the report on relations based on our review.

We conducted our review in accordance with Auditing Standard No. 56 of the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain limited assurance as to whether the report on relations is free of material misstatement. A review is limited primarily to inquiries of the Company's personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not performed an audit of the report on relations and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that would lead us to believe that the report on relations between related parties of Burza cenných papírů Praha, a.s. for the year ended 31 December 2011 contains material factual misstatements.

Annual report

We have audited the consistency of the annual report disclosed on pages 32 – 137 with the audited financial statements. This annual report is the responsibility of the Company's statutory body. Our responsibility is to express our opinion on the consistency of the annual report with the audited financial statements based on our audit.

We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance that the information disclosed in the annual report describing matters that are also presented in the financial statements is, in all material respects, consistent with the audited financial statements. We believe that the audit we have conducted provides a reasonable basis for our audit opinion.

KPMG

In our opinion, the information disclosed in the annual report is, in all material respects, consistent with the audited financial statements.

Prague
19 April 2012

KPMG Česká republika Audit

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

Pavel Závitkovský
Partner
Licence number 69

Financial Part

Non-consolidated Financial Part

Consolidated Financial Section

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

Independent 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., which comprise the balance sheet as of 31 December 2011, and the income statement the statement of changes in equity and the cash flow statement for the year then ended, and the notes to these financial statements including a summary of significant accounting policies and other explanatory notes. Information about the company is set out in Note 1 to these financial statements.

Statutory Body's Responsibility for the Financial Statements

The statutory body of Burza cenných papírů Praha, a.s. is responsible for the preparation of financial statements that give a true and fair view in accordance with Czech accounting legislation and for such internal controls as the statutory body determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the assets and liabilities of Burza cenných papírů Praha, a.s. as of 31 December 2011, and of its expenses, revenues and net result and its cash flows for the year then ended in accordance with Czech accounting legislation.

Prague
13 March 2012

KPMG Česká republika Audit

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

Pavel Závitkovský
Partner
Licence number 69

Balance Sheet as at 31 December 2011

(in CZK thousand)

ASSETS			31 December 2011 Gross	Adjustment	Net	31 December 2010 Net
B.		**Fixed assets**	**234,188**	**(108,456)**	**125,732**	**119,561**
	I.	**Intangible fixed assets**	**47,124**	**(45,491)**	**1,633**	**2,505**
	3.	Software	43,055	(41,639)	1,416	2,224
	6.	Other intangible fixed assets	3,900	(3,852)	48	112
	7.	Intangible fixed assets under construction	169	–	169	169
	II.	**Tangible fixed assets**	**61,464**	**(58,965)**	**2,499**	**3,956**
	3.	Individual movable assets and sets of movable assets	61,256	(58,965)	2,291	3,956
	7.	Intangible fixed assets under construction	208	–	208	–
	III.	**Non-current financial assets**	**125,600**	**(4,000)**	**121,600**	**113,100**
	1.	Equity investments in subsidiaries	105,600	(4,000)	101,600	93,100
	2.	Investments in associated companies	20,000	–	20,000	20,000
C.		**Current assets**	**429,581**	**(2,380)**	**427,201**	**324,893**
	II.	**Long-term receivables**	**122**	**–**	**122**	**620**
	5.	Long-term prepayments made	48	–	48	57
	8.	Deferred tax asset	74	–	74	563
	III.	**Short-term receivables**	**358,944**	**(2,380)**	**356,564**	**210,766**
	1.	Trade receivables	22,223	(2,380)	19,843	23,313
	2.	Receivables – group undertakings	233,753	–	233,753	180,086
	4.	Receivables from shareholders/owners	8,146	–	8,146	2,262
	6.	Tax receivables	93,924	–	93,924	3,716
	7.	Short-term advances paid	158	–	158	156
	8.	Estimated receivables	719	–	719	1,212
	9.	Other receivables	21	–	21	21
	IV.	**Current financial assets**	**70,515**	**–**	**70,515**	**113,507**
	1.	Cash	138	–	138	129
	2.	Bank accounts	42,433	–	42,433	84,390
	3.	Short-term securities and investments	27,944	–	27,944	28,988
D.	**I.**	**Deferrals**	**7,766**	**–**	**7,766**	**5,780**
	1.	Prepaid expenses	5,952	–	5,952	5,725
	3.	Accrued revenues	1,814	–	1,814	55
TOTAL ASSETS			**671,535**	**(110,836)**	**560,699**	**450,234**

(in CZK thousand)

EQUITY AND LIABILITIES			31 December 2011	31 December 2010
A.		**Equity**	**430,009**	**430,849**
	I.	**Share capital**	**265,216**	**265,216**
	1.	Share capital	265,216	265,216
	III.	**Statutory reserve fund**	**53,043**	**50,961**
	1.	Statutory reserve fund/Undistributable reserves	53,043	50,961
	IV.	**Retained earnings**	**138**	**30**
	1.	Retained profits	138	30
	V.	**Profit for the current period**	**111,612**	**114,642**
B.		**Liabilities**	**127,655**	**19,308**
	I.	**Provisions**	**6,133**	**1,398**
	3.	Income tax provision	3,997	–
	4.	Other provisions	2,136	1,398
	II.	**Long-term liabilities**	**13**	**13**
	5.	Long-term advances received	13	13
	III.	**Short-term liabilities**	**121,509**	**17,897**
	1.	Trade payables	2,601	1,502
	4.	Liabilities to shareholders/owners	98,996	–
	5.	Liabilities to employees	6,683	5,995
	6.	Liabilities for social security and health insurance	2,740	2,907
	7.	State – tax payables	1,741	3,720
	8.	Short-term advances received	1,000	120
	10.	Estimated payables	7,539	3,417
	11.	Other payables	209	236
C.	I.	**Accruals**	**3,035**	**77**
	1.	Accruals	176	37
	2.	Deferred revenue	2,859	40
TOTAL EQUITY AND LIABILITIES			**560,699**	**450,234**

Income Statement for the year ended 31 December 2011

(in CZK thousand)

			2011	2010
II.		Revenue from own products and services	247,487	241,363
	1.	Revenue from own products and services	247,397	241,363
	2.	Own work capitalized	90	–
B.		Cost of sales	50,415	51,250
	1.	Raw materials and consumables	810	1,671
	2.	Services	49,605	49,579
+		**Added value**	**197,072**	**190,113**
C.		Personnel expenses	69,089	68,014
	1.	Wages and salaries	48,964	47,671
	2.	Remuneration of board members	2,136	2,256
	3.	Social security and health insurance expenses	14,627	14,379
	4.	Other social costs	3,362	3,708
D.		Taxes and charges	108	101
E.		Depreciation of fixed assets	3,892	9,641
III.		Proceeds from disposals of fixed assets and materials	–	2
	1.	Proceeds from disposals of fixed assets	–	2
F.		Net book value of fixed assets and raw materials sold	–	–
	1.	Net book value of fixed assets sold	–	–
G.		Increase in provisions and adjustments relating to operating activity	725	(999)
IV.		Other operating revenues	875	25
H.		Other operating expenses	2,951	5,630
*****		**Operating profit**	**121,182**	**107,753**
VI.		Proceeds from sale of securities and ownership interests	–	46,782
J.		Securities and shares sold	–	46,563
VII.		Revenue from long-term investments	9,500	20,000
	1.	Revenue from investments in group undertakings and associated companies	9,500	20,000
VIII.		Revenue from short-term financial investments	459	2,765
K.		Loss on investments	1,468	616
IX.		Gain on revaluation of securities and derivatives	–	–
L.		Loss on revaluation of securities and derivatives	–	–
M.		Increase in provisions and adjustments relating to financial activity	–	490
X.		Interest income	6,002	4,547
N.		Interest expense	–	158
XI.		Other financial revenues	1,479	328
O.		Other financial expenses	1,359	1,729
*		**Financial profit**	**14,613**	**24,886**
Q.		Tax on profit on ordinary activities	24,183	17,997
	1.	– current	23,694	18,216
	2.	– deferred	489	(219)
	**	**Profit from ordinary activities**	**111,612**	**114,642**
	***	**Profit for the current period**	**111,612**	**114,642**
	****	**Profit before tax**	**135,795**	**132,639**

Cash Flow Statement for the year ended 31 December 2011

(in CZK thousand)

			2011	2010
P.		**Opening balance of cash and cash equivalents**	**84,519**	**63,216**
		Cash flows from operating activities		
Z.		Net profit on ordinary activities before tax	135,795	132,639
	A.1.	Adjustments for non-cash movements:	(9,842)	(15,241)
	A.1.1.	Depreciation and amortization of fixed assets	3,892	9,641
	A.1.2.	Change in provisions	725	(509)
	A.1.3.	Loss on the sale of fixed assets	–	(2)
	A.1.4.	Dividend income	(9,500)	(20,000)
	A.1.5.	Net interest expense	(6,002)	(4,389)
	A.1.6.	Possible adjustments by other non-cash operations	1,043	18
A.*		**Net cash flow from ordinary activities tax, changes in working capital and items**	**125,953**	**117,398**
	A.2.	Working capital changes	(40,299)	16,434
	A.2.1.	Change in receivables and prepayments	(146,871)	(139,408)
	A.2.2.	Change in short-term payables and accruals	106,572	54
	A.2.4.	Change in short-term investments	–	155,789
A.**		**Net cash flow from ordinary activities before tax and extraordinary items**	**85,654**	**133,833**
	A.3.	Interest paid	–	(158)
	A.4.	Interest received	1,428	1,197
	A.5.	Income tax on ordinary activities paid	(16,016)	(12,913)
	A.7.	Dividends received	9,500	20,000
A.***		**Net cash flow from ordinary activities**	**80,566**	**141,959**
		Cash flows from investing activities		
	B.1.	Acquisition of fixed assets	(10,062)	(2,372)
	B.2.	Proceeds from sale of fixed assets	–	2
	B.3.	Loans to related parties	–	–
B.***		**Net cash flow from investing activities**	**(10,062)**	**(2,370)**
		Cash flows from financing activities		
	C.2.	Changes in equity	(112,452)	(118,286)
	C.2.6.	Dividends paid	(112,452)	(118,286)
C.***		**Net cash flow from financing activities**	**(112,452)**	**(118,286)**
F.		**Net increase or decrease in cash and cash equivalents**	**(41,948)**	**21,303**
R.		**Cash and cash equivalents at the end of the year**	**42,571**	**84,519**

Statement of Changes in Equity for the year ended 31 December 2011

(in CZK thousand)

	Share capital	Statutory reserve fund	Retained earnings	Profit/loss for the current period	Total equity
Balance as at 31 December 2009	**265,216**	**44,743**	**183**	**124,351**	**434,493**
Allocation of profit	–	6,218	118,133	(124,351)	–
Dividends paid	–	–	(118,286)	–	(118,286)
Profit for the current period	–	–	–	114,642	114,642
Balance as at 31 December 2010	**265,216**	**50,961**	**30**	**114,642**	**430,849**
Allocation of profit	–	2,082	112,560	(114,642)	–
Dividends paid	–	–	(112,452)	–	(112,452)
Profit for the current period	–	–	–	111,612	111,612
Balance as at 31 December 2011	**265,216**	**53,043**	**138**	**111,612**	**430,009**

Notes to the Financial Statements for the year ended 31 December 2011

1. GENERAL INFORMATION

1.1. Incorporation and description of the business
Burza cenných papírů Praha, a.s. (henceforth "the Company"), with its registered office at Rybná 14, Prague 1, was incorporated by means of a Memorandum of Association dated 24 July 1992 by twelve Czechoslovak banks and five brokerage firms.

The Company was registered in the Commercial Register maintained by the Regional Court for Prague 1 on 24 November 1992. The Ministry of Finance of the Czech Republic granted a permit to incorporate the Company on 16 October 1992. The corporate details of the Company are maintained in the Commercial Register at the Municipal Court in Prague, File B, Insert 1773.

The principal activities of the Company are as follows:

– Organizing, in compliance with generally binding legal regulations, the Exchange rules and regulations of stock exchange, at a defined place and time, by authorized persons, the supply and demand of registered securities, investment instruments which are not securities, or other capital market instruments in the scope issued by the Securities Committee, which applies to the following capital market instruments, including:

a) options pursuant to Section 8a (1)(g) of the Securities Act, whose value is derived from the value of the exchange rate index composed of shares registered in a public market in the Czech Republic, which has no weight in this index greater than 35%

b) futures pursuant to Section 8 (1)(d) of the Securities Act, whose value is derived from the value of the exchange rate index composed of shares registered in a public market in the Czech Republic, which has no weight in this index greater than 35%

c) futures pursuant to Section 8 (1)(d) of the Securities Act, whose value is derived from the value of the interest rate commonly used in the financial market in the Czech Republic

d) futures pursuant to Section 8 (1)(d) of the Securities Act, whose value is derived from the value of the basket of at least two government bonds in the sense of Section 18 (1) of Act No. 530/1990 Coll. on bonds, as amended, registered in the public market in the Czech Republic

e) investment certificates as defined in Section 3 (2)(d) of the Act on Business Activities on the Capital Market

f) warrants, other domestic securities with similar rights attached, and foreign securities bearing similar rights (warrants) as defined in Section 3 (2)(c) or (d) and Section 3 (3)(a) of the Act on Capital Market

g) futures as defined in Section 3b or 3e of the Act on Capital Market, where the underlying asset is:
   1. a share accepted for trading on an organized market within the EU or OECD
   2. an index of stock markets in the EU or OECD, including stock indices encompassing shares from several countries, and basket of such indices
   3. currency of the EU or OECD country
   4. the exchange rate of a country within the EU or OECD
   5. price or revenue of a government bond issued by an EU or OECD country denominated in the currency of this country, including a basket of such bonds

6. the price of an emission allowance established by an organized market based in the EU or OECD.
7. the price of a commodity established by an organized marked based in the EU or OECD.

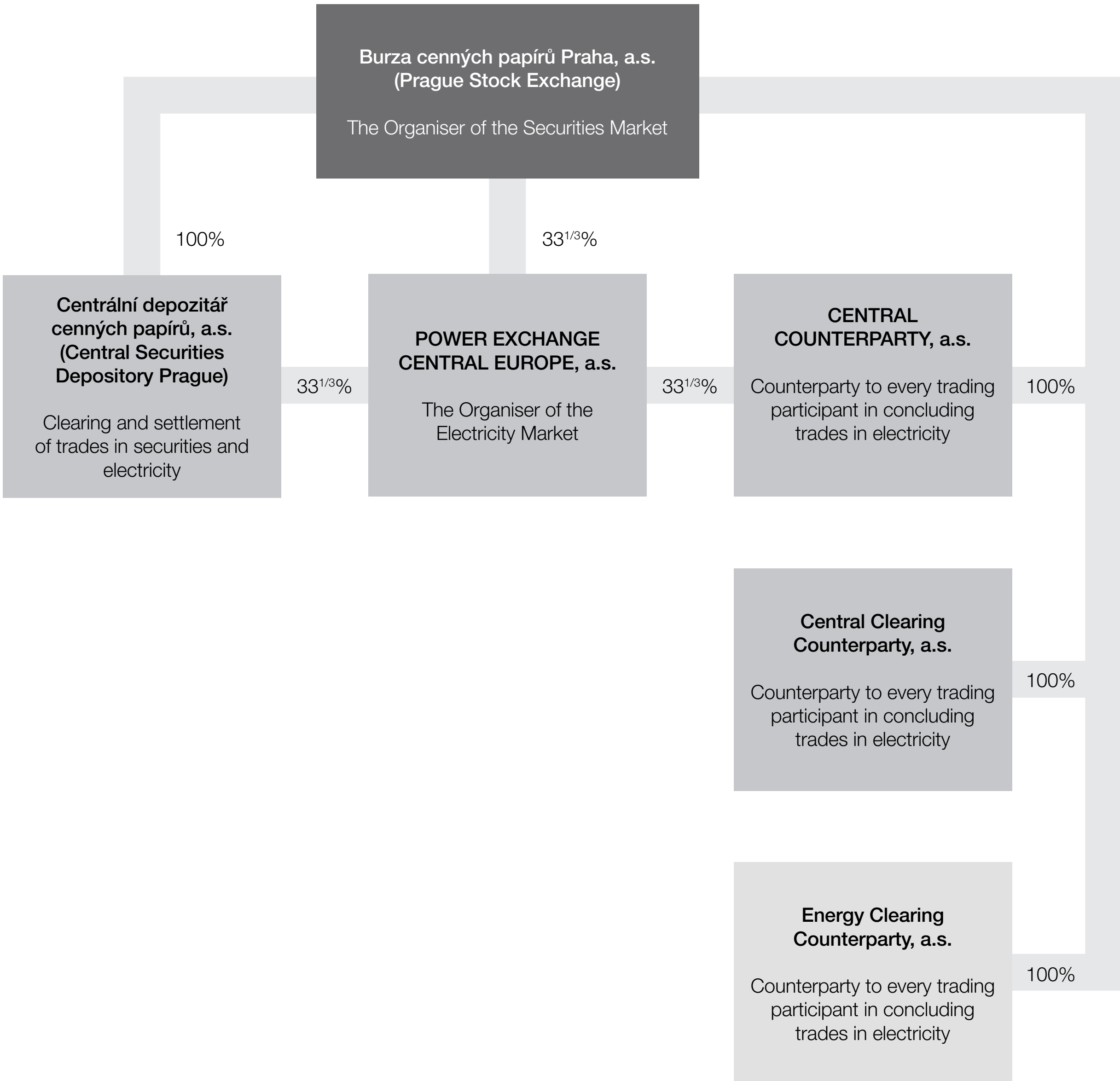
- To ensure the publication of the exchange trading results
- To render services encompassing the provision of information, i.e. information on investment instruments not admitted to trading on the regulated market, doing so under the conditions stipulated in Act No. 214/1992 Coll., on Stock Exchange, as amended, to the extent of the licence issued by the Committee and provided that their administration is defined in the Exchange rules.
- To carry out advisory, educational and other activities associated with the scope of the Exchange's business activities described under items a) through e) hereof, entitled "Principal Business Activities of the Exchange"
- To provide software
- To purchase goods with the purpose of their resale and sale per se (buy & sell)
- To organize training and render educational services
- To act as a mediator in the field of education
- To provide technology and engineering in the field of information technology
- To act as an editor/publisher

1.2. Organizational structure of the Company

The following units report directly to the CEO:
- Legal Service;
- Internal Audit and Security Department and Compliance;
- Secretariat of Chief Executive Officer and mail room
- Trading and Securities Department;
- Information Technology Department;
- Inspection Department;
- Finance and Administration Department;
- External Communication Department.

1.3. Group identification

Structure as at 31 December 2011



POWER EXCHANGE CENTRAL EUROPE, a.s.:

- On 8 January 2007, a foundation agreement for the incorporation of Energetická burza Praha, with its registered office at Rybná 14/682, Praha 1, was drawn up.
- The founders are as follows:

Burza cenných papírů Praha, a.s.	investment of TCZK 20,000
UNIVYC, a.s. (Centrální depozitář cenných papírů, a.s.)	investment of TCZK 20,000
Centrální depozitář, a.s. (CENTRAL COUNTERPARTY, a.s.)	investment of TCZK 20,000

- The Company was registered in the Commercial Register on 5 March 2007.
- On 1 July 2009 Energetická burza Praha was renamed to POWER EXCHANGE CENTRAL EUROPE, a.s. (henceforth "PXE"). The Czech National Bank (henceforth "CNB") granted a licence to PXE on 4 February 2009 to organize a commodity derivatives market (henceforth "the Licence"). According to the amended Act on Capital Markets, regularly traded commodity derivatives are considered investment instruments. Consequently, each entity that provides and organizes such a market is supervised and licensed by the CNB. The Licence allows PXE to provide a market with physical settlement as well as financial settlement. The Licence is recognized across the European Union, which simplifies possible expansion in the Central and Eastern Europe region.

Centrální depozitář cenných papírů, a.s. (henceforth "CDCP"):

- CDCP (formerly "UNIVYC, a.s."), with its registered office at Rybná 14/682, Praha 1, was entered into the Commercial Register on 8 October 1996.
- Burza cenných papírů Praha, a.s. is the sole shareholder of CDCP.
- The registered capital of CDCP as at 31 December 2011 amounts to TCZK 100,000.
- The CNB granted a licence to UNIVYC, a.s. enabling it to operate a settlement system for all trades concluded on PXE. UNIVYC, a.s. requested the regulatory body for permission to perform central depository services according to the Act on Capital Markets 256/2004, Section 100.
- According to the CNB's decision dated 14 August 2009, the function of a central depository was granted to UNIVYC, a.s. Subsequently, UNIVYC, a.s. changed its registered name to Centrální depozitář cenných papírů, a.s.
- Based on the licence from the CNB, the central depository started operating on 7 July 2010. The transfer of registered and immobilized securities from Středisko cenných papírů was successfully carried out as at 7 July 2010.
- The principal subjects of operation of Centrální depozitář cenných papírů, a.s. include:
  - operating a settlement system for the settlement of exchange and OTC transactions with investment instruments
  - lending of securities
  - administration and management of guarantee instruments
  - administration and management of investment instruments
  - settlement of electricity trades
  - administration of central records of registered dematerialized securities issued in the Czech Republic; assigning identification codes to investment instruments
  - the central depository operates on a participant principle and it provides services related to administration of central records of securities as well as trades settlement through the participants
  - the central depository also provides services for securities issuers.

CENTRAL COUNTERPARTY, a.s.:

- The Company, as the sole founder, decided on 21 November 2003 to form a joint-stock company, Centrální depozitář, a.s., with its registered office at Rybná 14/682, Praha 1, and with share capital of TCZK 3,000.
- The company was recorded in the Commercial Register on 3 March 2004. The business of Centrální depozitář, a.s. includes "activities of business, financial, organizational and economic advisors".
- In 2007 Centrální depozitář, a.s. was renamed to "CENTRAL COUNTERPARTY, a.s." with an additional subject of operation – "trading in electricity".

Central Clearing Counterparty, a.s.:

- On 31 March 2008 the company Central Clearing Counterparty, a.s. was established, with its registered office at Rybná 14/682, Praha 1, by a foundation agreement for incorporation.
- Central Clearing Counterparty, a.s. was recorded in the Commercial Register on 11 April 2008 with share capital of TCZK 2,000 and its sole shareholder is Burza cenných papírů Praha, a.s.
- The business of Central Clearing Counterparty, a.s. includes “rent of real estate, flats and non-residential units”. The company has established a branch in Slovakia with the business “trading in electricity”.

Energy Clearing Counterparty, a.s.:

- On 18 July 2008 the company Energy Clearing Counterparty, a.s. was established, with its registered office at Rybná 14/682, Praha 1, by a foundation agreement for incorporation.
- Energy Clearing Counterparty, a.s. was recorded in the Commercial Register on 6 August 2008 with share capital of TCZK 2,000 and its sole shareholder is Burza cenných papírů Praha, a.s.
- The business of Energy Clearing Counterparty, a.s. includes “rent of real estate, flats and non-residential units, and trading in electricity”.

On 8 December 2008 Wiener Börse AG became a new majority shareholder (92.739%) of the Company. The number of shareholders decreased from 27 to 10.

1.4. Exchange Chamber and Supervisory Board as at 31 December 2010

	Position	Name
Exchange Chamber	Chairman	Ing. Petr Koblic
	Vice Chairman	Michael Buhl
	Vice Chairman	Hannes Takacs
	Member	Dr. Ludwig Niessen
		Ing. Helena Čacká
		Ing. David Kučera
Supervisory Board	Member	Ing. Jan Vedral
		Ing. Jan Sýkora
		JUDr. Martin Roman
		Ing. Jan Klenor
		Ing. Daniel Heler

In the year ended 31 December 2011, the following changes were made to the composition of the Supervisory Board:

Position	Former member	New member	Date of change
Member of the Supervisory Board	Ing. Jaroslav Míl	Ing. Jan Vedral	27 April 2011

2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles in the Czech Republic and have been prepared under the historical cost convention except as disclosed below. Derivatives, securities and investments (except for investments in controlled entities/subsidiaries and associates) are shown at fair value. All figures are presented in thousands of Czech crowns (“TCZK”), unless indicated otherwise. The Company has not changed any of its accounting methods and principles during 2011 and 2010.

2.1. Tangible fixed assets

All tangible assets with a useful life longer than 1 year and a unit cost of more than TCZK 10 are treated as tangible fixed assets.

Acquired tangible fixed assets are recorded at cost, which include all costs incurred in bringing the assets to their present location and condition.

Tangible assets with a useful life longer than one year, and whose cost does not exceed TCZK 10 per unit are not disclosed in the balance sheet, but are recorded to expenses in the year of their acquisition and are kept in the operational records.

Tangible fixed assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Premises, machinery and equipment	3 years

A provision for impairment is established when the carrying value of an asset is greater than its estimated recoverable amount.

Repairs and maintenance expenditures of tangible fixed assets are charged to expenses as incurred. Technical improvement of tangible fixed assets is capitalized.

2.2. Intangible fixed assets

All intangible assets with a useful life longer than one year and a unit cost of more than TCZK 10 are treated as intangible fixed assets.

Purchased intangible fixed assets are recorded at cost, which includes all costs incurred in bringing the assets to their present location and condition.

Intangible assets with a useful life longer than one year and whose cost does not exceed TCZK 10 per unit are not disclosed in the balance sheet, but are recorded to expenses in the year of their acquisition and are kept in the operational records.

Intangible fixed assets are amortized on a straight-line basis over their estimated useful lives as follows:

Software	3 years

A provision for impairment is established when the carrying value of an asset is greater than its estimated recoverable amount.

2.3. Investments in controlled entities/subsidiaries and associates

Investments in controlled entities/subsidiaries represent enterprises that are controlled by the Company (“the subsidiary”).

Investments in associates represent enterprises over which the Company has significant influence, i.e. the power to participate in financial and operating policy decisions, but not control (“the associate”).

Investments in subsidiaries and associates are recorded at cost less a provision for potential impairment.

2.4. Other securities and investments

The Company classifies securities and investments, other than investments in subsidiaries and associates as trading or held-to-maturity.

Securities that are acquired principally for the purpose of generating profits from short-term (maximum one year) price fluctuations are classified as trading investments and included in current assets.

Investments with a fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, unless the date of maturity falls within 12 months of the balance sheet date.

All securities and investments are initially recorded at cost, including transaction costs. Held-to-maturity investments are subsequently accounted for at amortized cost. Other investments are subsequently accounted for at fair value. The fair value is determined as the market value of the securities as at the balance sheet date. Measurement of non-traded securities is based on management estimates using recognized models or valuation techniques.

Gains and losses arising from changes in the fair value of trading instruments are included in the income statement in the period in which they arise.

A provision for impairment is established for held-to-maturity investments when their carrying value is greater than their estimated recoverable amount.

2.5. Cash and cash equivalents

Cash and cash equivalents include cash in hand, stamps and vouchers, and cash in banks, including bank overdrafts.

Cash equivalents are short-term highly liquid investments that can be exchanged for a predictable amount of cash and no significant changes in value over time are expected. Cash equivalents are, for example, deposits with a maturity of less than three months from the date of acquisition and liquid commercial paper traded in public markets.

2.6. Receivables

Receivables are stated at nominal value less a provision for doubtful amounts. A provision for bad debts is created on the basis of an ageing analysis and individual evaluation of the recoverability of the receivables. Receivables from related parties are not provided for. Bad debts are written off after the bankruptcy proceedings of the debtor.

2.7. Derivative financial instruments

The Company uses derivative financial instruments to reduce or eliminate financial risks. All derivatives are used for hedging purposes, however hedge accounting is not applied as both the hedged items and the derivatives are fair valued through profit or loss.

Derivative financial instruments including foreign exchange contracts, currency swaps and other derivative financial instruments are initially recognized in the balance sheet at cost and subsequently re-measured at their fair value. Fair values are derived from quoted market prices, discounted cash flow models and option pricing models, as appropriate. All derivatives are presented as other receivables or other payables when their fair value is positive or negative, respectively.

Changes in the fair value of derivatives held for trading are included in other financial income or other financial expenses.

2.8. Provisions

Provisions are recognized when the Company has a present obligation, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

2.9. Foreign currency translation

Transactions denominated in a foreign currency are translated and recorded at the prevailing exchange rate as at the transaction date.

Cash, receivables and liabilities balances denominated in foreign currencies have been translated at the exchange rate published by the Czech National Bank as at the balance sheet date. All exchange gains and losses on cash, receivables and liabilities balances are recorded in the income statement.

2.10. Deferred taxation

Deferred tax is recognized on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Deferred tax assets are recognized if it is probable that sufficient future taxable profit will be available against which the assets can be utilized.

2.11. Own shares

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

The Company is obligated to repurchase its own shares if the Exchange Chamber does not approve the transfer to another party. The Company is required to sell these shares within a three-year period from the acquisition. If it fails to do so, it is obligated to withdraw those shares from circulation and reduce its share capital balance by their nominal value.

Repurchased own shares are stated at cost as a deduction from the share capital.

2.12. Related parties

The Company's related parties are considered to be the following:

- shareholders, of which the Company is a subsidiary or an associate, directly or indirectly, and other subsidiaries and associates of these shareholders;
- members of the Exchange Chamber and Supervisory Board, management, parent companies and parties close to such members, including entities in which they have a controlling or significant influence; and/or
- subsidiaries and associates.

Material transactions and outstanding balances with related parties are disclosed in Note 3.5.3, 3.9.1 and 3.13.1 and 3.13.2.

2.13. Revenue recognition

Sales are recognized when services are rendered and are recognized net of discounts and VAT.

2.14. Leasing

The Company uses assets acquired under operating leases. The costs of assets held under operating leases are not capitalized as fixed assets. Lease payments are expensed evenly over the life of the lease. Future lease payments not yet due are disclosed in the notes but not recognized in the balance sheet.

2.15. Employment benefits

Regular contributions are made to the state to fund the national pension plan. The Company also provides contributions to defined contribution plans operated by independent pension funds.

2.16. Cash flow statement

The Company has prepared a cash flow statement following the indirect method. Cash equivalents represent short-term liquid investments, which are readily convertible for a known amount of cash.

2.17. Group registration for VAT

Effective from 1 January 2011, the VAT Group was extended to include companies Burza cenných papírů Praha, a.s., POWER EXCHANGE CENTRAL EUROPE, a.s., Centrální depozitář cenných papírů, a.s., Central Clearing Counterparty, a.s., Energy Clearing Counterparty, a.s. and CENTRAL COUNTERPARTY, a.s.. As a result, those companies have, with effect from 1 January 2011, a common tax identification number.

As at January 2011 the Group used an advances coefficient of 30%. The Group applied this coefficient to calculate a proportional VAT deduction on acquired supplies in 2011. In the VAT return for December 2011, a settlement coefficient of 100% was calculated and represents the advance coefficient for 2012. The difference between the applied deduction based on the advance rate during the entire calendar year and the deduction of VAT calculated on the basis of the settlement coefficient was settled in December 2011.

Based on the group registration the Group claimed 100% of the VAT as a deductible item in the VAT return.

2.18. Post balance sheet events

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

Where significant events which are indicative of conditions that arose subsequent to the balance sheet date occur subsequent to the balance sheet date but prior to the preparation of the financial statements the effects of these events are disclosed, but are not themselves recognized in the financial statements.

3. ADDITIONAL INFORMATION ON THE BALANCE SHEET AND THE INCOME STATEMENT

3.1. Fixed assets

3.1.1. Intangible fixed assets

(in CZK thousand)

Cost	Balance as at 1 January 2010	Additions	Disposals	Balance as at 31 December 2010	Additions	Disposals	Balance as at 31 December 2011
Software	41,592	1,782	918	42,456	599	–	43,055
Other intangible fixed assets	3,900	–	–	3,900	–	–	3,900
Intangible fixed assets under construction	169	–	–	169	–	–	169
Total	**45,661**	**1,782**	**918**	**46,525**	**599**	**–**	**47,124**

(in CZK thousand)

Accumulated amortization	Balance as at 1 January 2010	Additions	Disposals	Balance as at 31 December 2010	Additions	Disposals	Balance as at 31 December 2011
Software	38,673	2,456	897	40,232	1,407	–	41,639
Other intangible fixed assets	2,113	1,675	–	3,788	64	–	3,852
Total	**40,786**	**4,131**	**897**	**44,020**	**1,471**	–	**45,491**

Net book value	Balance as at 1 January 2010	Balance as at 31 December 2010	Balance as at 31 December 2011
Software	2,919	2,224	1,416
Other intangible fixed assets	1,787	112	48
Intangible fixed assets under construction	169	169	169
Total	**4,875**	**2,505**	**1,633**

Amortization of intangible fixed assets charged to expenses was as follows:

(in CZK thousand)

	Amortization
2011	1,471
2010	4,131

In 2010 and 2011 no allowances to intangible fixed assets were created.

3.1.2. Tangible fixed assets

(in CZK thousand)

Cost	Balance as at 1 January 2010	Additions	Disposals	Balance as at 31 December 2010	Additions	Disposals	Balance as at 31 December 2011
Individual movable assets	69,168	2,118	9,428	61,858	755	1,357	61,256
– Machinery and equipment	50,616	–	7,273	43,343	185	568	42,960
– Furniture and fixtures	5,720	2,010	555	7,175	75	75	7,175
– Low value tangible FA	12,832	108	1,600	11,340	495	714	11,121
Tangible FA under construction	6	–	6	–	967	759	208
Total	**69,174**	**2,118**	**9,434**	**61,858**	**1,722**	**2,116**	**61,464**

Accumulated depreciation and provisions	Balance as at 1 January 2010	Additions	Disposals	Balance as at 31 December 2010	Additions	Disposals	Balance as at 31 December 2011
Individual movable assets	60,319	5,510	7,927	57,902	2,421	1,358	58,965
– Machinery and equipment	43,623	2,482	5,772	40,333	1,848	569	41,612
– Furniture and fixtures	5,236	1,982	555	6,663	218	75	6,806
– Low value tangible FA	11,460	1,046	1,600	10,906	355	714	10,547
Total	**60,319**	**5,510**	**7,927**	**57,902**	**2,421**	**1,358**	**58,965**

(in CZK thousand)

Net book value	Balance as at 1 January 2010	Balance as at 31 December 2010	Balance as at 31 December 2011
Individual movable assets	8,849	3,956	2,291
– Machinery and equipment	6,993	3,010	1,348
– Furniture and fixtures	484	512	369
– Low value tangible FA	1,372	434	574
Tangible FA under construction	6	–	208
Total	**8,855**	**3,956**	**2,499**

Disposals of tangible fixed assets

Disposals of tangible fixed assets amounted to TCZK 2,116 in 2011. The most significant disposals are represented by computers, servers and other technical equipment.

Depreciation of tangible fixed assets charged to expenses, including the carrying value of liquidated assets, was as follows:

(in CZK thousand)

	Depreciation
2011	2,421
2010	5,510

In 2011 and 2010 no allowances against tangible fixed assets were created. Tangible fixed assets recorded off-balance sheet amount to TCZK 2,302.

None of the assets is pledged as collateral.

3.2. Leased assets

As at 31 December 2011, the Company has seven cars under operating leases. The aggregate amount of payments made in 2011 was TCZK 1,934 (2010: TCZK 1,681). The Company resides in the rented premises. The rent amounted to TCZK 10,338 in 2011 (2010: TCZK 10,552).

The Company has the following commitments in respect of operating leases:

(in CZK thousand)

	Balance as at 31 December 2011	Balance as at 31 December 2010
Current within one year	12,715	11,794
Due after one year but within five years	54,652	51,933
Total	**67,367**	**63,727**

3.3. Long-term investments

The Company is the sole shareholder of Centrální depozitář cenných papírů, a.s., CENTRAL COUNTERPARTY, a.s., Central Clearing Counterparty, a.s. and Energy Clearing Counterparty, a.s. The share capital of Centrální depozitář cenných papírů, a.s. amounts to TCZK 100,000 and that of CENTRAL COUNTERPARTY, a.s. amounts to TCZK 3,000, and that of Central Clearing Counterparty, a.s. and Energy Clearing Counterparty, a.s. amounts to TCZK 2,000 and TCZK 2,000, respectively. The Company also holds a one third share in POWER EXCHANGE CENTRAL EUROPE, a.s. whose share capital amounts to TCZK 60,000 (refer to Note 1.3.).

Burza cenných papírů Praha, a.s. decided to provide a supplementary payment in addition to the share capital of Central Clearing Counterparty, a.s. amounting to TCZK 5,500, and Energy Clearing Counterparty amounting to TCZK 3,000.

(in CZK thousand)

Cost	Balance as at 31 December 2010	Additions	Balance as at 31 December 2011
*Centrální depozitář cenných papírů, a.s.	90,100	–	90,100
CENTRAL COUNTERPARTY, a.s.	3,000	–	3,000
POWER EXCHANGE CENTRAL EUROPE, a. s.	20,000	–	20,000
Central Clearing Counterparty, a.s.	2,000	5,500	7,500
Energy Clearing Counterparty, a.s	2,000	3,000	5,000
Total	**117,100**	**8,500**	**125,600**

*The company Centrální depozitář cenných papírů, a.s. is a legal successor of the company Burzovní registr cenných papírů, s.r.o. The Company increased its registered capital in 1996 and 1999 from retained earnings.

(in CZK thousand)

Provisions	Balance as at 31 December 2010	Additions	Disposals	Balance as at 31 December 2011
Central Clearing Counterparty, a.s.	2,000	–	–	2,000
Energy Clearing Counterparty, a.s	2,000	–	–	2,000
Total	**4,000**	**–**	**–**	**4,000**

Net value	Balance as at 31 December 2010	Balance as at 31 December 2011
Centrální depozitář cenných papírů, a.s.	90,100	90,100
CENTRAL COUNTERPARTY, a.s.	3,000	3,000
POWER EXCHANGE CENTRAL EUROPE, a.s.	20,000	20,000
Central Clearing Counterparty, a.s.	–	5,500
Energy Clearing Counterparty, a.s.	–	3,000
Total	**113,100**	**121,600**

As at 31 December 2011, Centrální depozitář cenných papírů, a.s. reports equity of TCZK 168,536. In 2011 it generated a profit of TCZK 58,975. Based on the decision of its sole shareholder, the dividends from the 2010 profit were paid in 2011 in the amount of TCZK 9,500.

As at 31 December 2011, POWER EXCHANGE CENTRAL EUROPE, a.s. reports equity of TCZK 76,686. In 2011 it generated a profit of TCZK 11,566.

As at 31 December 2011, CENTRAL COUNTERPARTY, a.s. reports equity of TCZK 9,897 and loss of TCZK 780 for 2011.

As at 31 December 2011, Central Clearing Counterparty, a.s. reports equity of TCZK 2,574. In 2011 it incurred a loss of TCZK 1,057.

As at 31 December 2011, Energy Clearing Counterparty, a.s. reports a negative equity of TCZK (1,534). In 2011 it incurred a loss of TCZK 3,639.

The Company does not have any long-term financial assets pledged as collateral.

3.4. Financial assets

(in CZK thousand)

	Balance as at 31 December 2011	Balance as at 31 December 2010
Cash in hand	138	129
Current accounts	22,433	44,390
Term accounts in banks	20,000	40,000
Short-term securities	27,944	28,988
– held to maturity – depository notes	–	–
– at fair value through profit or loss	27,944	28,988
with fixed income	–	–
with variable yield	27,944	28,988
Total financial assets	**70,515**	**113,507**

According to an Asset management contract, the Company held an EIB VAR/18 bond as at 31 December 2011 and 31 December 2010.

The Company has a restricted term deposit in the amount of TCZK 20,000 at Komerční banka, a.s. as at 31 December 2011.

3.5. Short-term receivables

(in CZK thousand)

Category	Balance as at 31 December 2011	Balance as at 31 December 2010
Trade receivables – customers	19,843	23,313
Receivables from shareholders/owners	233,753	180,086
Tax receivable	93,924	3,716
Operating prepayments made	158	156
Receivables from partners	8,146	2,262
Estimated receivables	719	1,212
Other receivables and social security	21	21
Total short-term receivables, net	**356,564**	**210,766**

As at 31 December 2009 the partnership agreement between Burza cenných papírů Praha, a.s. and Centrální depozitář cenných papírů, a.s. from 7 November 2007 was terminated. On 30 December 2009 a new contract was concluded between Burza cenných papírů Praha, a.s. and Centrální depozitář cenných papírů, a.s. regarding the rendering of IT services. Effective from 1 January 2010 the price for the services according to this contract amounts to 65% of the total revenues of Centrální depozitář cenných papírů, a.s. generated from fees from trade settlement and transactions settled through AOS as well as fees from use of the communication system by participants in the CDCP settlement system who are not members of Burza cenných papírů Praha, a.s.

Based on the Analysis of transfer prices conducted by Deloitte Advisory, s.r.o., Burza cenných papírů Praha, a.s. claims 8% of the revenues of Centrální depozitář cenných papírů, a.s. from providing technical support services related to the central records of securities.

The increase in the item "Tax receivable" is caused by extending the VAT group of companies Central Clearing Counterparty, a.s., Energy Clearing Counterparty, a.s. and CENTRAL COUNTERPARTY, a.s. and the subsequent increase in the VAT settlement coefficient to 100% (see 2.17). This receivable is further allocated between members of VAT group and recorded as "Payables to shareholders/owners" (see 3.9.)

3.5.1. Ageing of short-term trade receivables

(in CZK thousand)

Year	Category	Due	Past due date					Total past due date	Total
			0–60 days	61–180 days	181–360 days	1–2 years	2 and more years		
2010	Nominal value	19,276	70	497	–	–	2,380	2,947	22,223
	Allowances	–	–	0	–	–	2,380	2,380	2,380
	Net	19,276	70	497	–	–	–	568	19,843
2011	Nominal value	23,305	–	–	–	–	2,394	2,394	25,699
	Allowances	–	–	–	–	–	2,394	2,394	2,394
	Net	23,305	–	–	–	–	–	–	23,305

Unpaid trade receivables are not secured. The Company has receivables which are more than five years after maturity amounting to TCZK 2,380 (2010: TCZK 2,394). These receivables are covered by allowances of 100%.

3.5.2. Allowances

(in CZK thousand)

	Allowances for trade receivables
Balance as at 1 January 2010	**2,411**
Creation	–
Release	17
Usage	–
Balance as at 31 December 2010	**2,394**
Creation	–
Release	14
Usage	–
Balance as at 31 December 2011	**2,380**

3.5.3. Receivables from related parties

(in CZK thousand)

Name of the company	Balance as at 31 December 2011	31 December 2010
Short-term trade receivables		
Centrální depozitář cenných papírů, a.s.	5,430	6,374
POWER EXCHANGE CENTRAL EUROPE, a.s.	670	962
Central Counterparty, a.s.	1	–
Energy Clearing Counterparty, a.s.	1	1
Total short-term receivables	**6,102**	**7,337**

Name of the company	Balance as at 31 December 2011	Balance as at 31 December 2010
Loans		
Centrální depozitář cenných papírů, a.s.	199,583	173,316
CENTRAL COUNTERPARTY, a.s.	3,651	–
Central Clearing Counterparty, a.s.	–	6,770
Energy Clearing Counterparty, a.s.	30,519	–
Total loans	**233,753**	**180,086**

Name of the company	31 December 2011	31 December 2010
Receivable within the Group registration to VAT		
Centrální depozitář cenných papírů, a.s.	–	1,941
POWER EXCHANGE CENTRAL EUROPE, a.s.	–	321
Central Clearing Counterparty	8,146	0
Total receivable within the Group registration to VAT	**8,146**	**2,262**

No receivables from related parties are overdue.

3.5.4. Estimated receivables

(in CZK thousand)

	Balance as at 31 December 2011	Balance as at 31 December 2010
Unbilled rental services	719	729
Unbilled stock exchange information	–	480
Unbilled estimates – others	–	3
Estimated receivables	**719**	**1,212**

3.6. Deferred expenses and accrued income

(in CZK thousand)

	Balance as at 31 December 2011	Balance as at 31 December 2010
Deferred expenses	**5,952**	**5,725**
Rental of non-residential premises	3,695	3,464
Insurance	218	911
Other	2,039	1,350
Accrued income	**1,814**	**55**
Stock exchange information	1,611	–
Interest	22	55
Other	181	–
Total accruals and deferrals	**7,766**	**5,780**

3.7. Equity

3.7.1. Share capital

The Company's share capital recorded in the Commercial Register as at 31 December 2011 of TCZK 265,216 (2010: TCZK 265,216) is divided into 265,216 registered shares with a nominal value of CZK 1,000 per share.

3.7.2. Profit for the year 2010

The net profit for 2010 of TCZK 114,642 was approved and allocated by the general meeting of shareholders on 27 April 2011.

3.7.3. Statutory reserve fund

(in CZK thousand)

Balance as at 31 December 2009	**44,743**
Creation from the 2010 profit	6,218
Balance as at 31 December 2010	**50,961**
Creation from the 2011 profit	2,082
Balance as at 31 December 2011	**53,043**

3.8. Provisions

(in CZK thousand)

	Tax reserve	Reserve for potential liability from termination of employment	Reserve life insurance and staff bonuses	Other	Total
Balance as at 31 December 2009	**–**	**981**	**1,398**	**–**	**2,379**
Creation/(release)	–	–	–	–	–
Release	–	(981)	–	–	(981)
Balance as at 31 December 2010	**–**	**–**	**1,398**	**–**	**1,398**
Creation/(release)	3,997	–	1,704	432	6,133
Release	–	–	(1,398)	–	(1,398)
Balance as at 31 December 2011	**3,997**	**–**	**1,704**	**432**	**6,133**

A provision for statutory insurance related to the life insurance scheme for selected employees was created. The provision was used during 2011.

In 2011 the Company paid TCZK 21,415 (2010: TCZK 26,489) in advance payments related to corporate income tax. The actual tax liability for 2011 amounted to TCZK 25,412 (2010: TCZK 22,773). Since the tax was higher than the advances paid, the Company recorded a provision for corporate income tax in the amount of TCZK 3,997 (2010: the Company presented a receivable in the amount of TCZK 3,716).

3.9. Short-term liabilities

Short-term liabilities have the following structure:

(in CZK thousand)

Category	Balance at as 31 December 2011	Balance as at 31 December 2010
Trade payables – domestic	2,601	1,498
Trade payables – foreign countries	–	4
Prepayments received	1,000	120
Tax liabilities	1,741	3,720
Payables to shareholders/owners	98,996	–
Payables to employees	6,683	5,995
Social security and health insurance payables	2,740	2,907
Other payables	209	236
Estimated payables	7,539	3,417
Total short-term payables	**121,509**	**17,897**

No trade payables as at 31 December 2011 and 2010 are overdue. Neither social security, health insurance payables, nor payables related to the tax office are overdue.

3.9.1. Payables to related parties

(in CZK thousand)

Name of the company	Balance as at 31 December 2011	Balance as at 31 December 2010
– Trading payables	9	79
Centrální depozitář cenných papírů, a.s.	9	79
– VAT aggregation	98,996	–
Centrální depozitář cenných papírů, a.s.	34,937	–
POWER EXCHANGE CENTRAL EUROPE, a.s.	884	–
CENTRAL COUNTERPARTY, a.s.	28,309	–
Energy Clearing Counterparty, a.s.	34,866	–
Total short-term payables to related parties	**99,005**	**79**

3.10. Deferred tax

The deferred tax asset as at 31 December 2011 is calculated at 19% (the rate enacted for 2012). Deferred tax as at 31 December 2010 was calculated at 19% (the rate enacted for 2011).

The deferred tax asset can be analysed as follows:

(in CZK thousand)

Deferred tax	Balance as at 31 December 2011	Balance as at 31 December 2010
Accumulated depreciation and amortization of fixed assets	(250)	(462)
Provisions	324	266
Allowance to financial investments	–	760
Deferred tax asset	**74**	**563**
Deferred tax expense/(credit)	**489**	**(219)**

3.11. Income tax on ordinary activities

The income tax charge for the year can be reconciled to the profit according to the income statement, as follows:

(in CZK thousand)

	Balance as at 31 December 2011	Balance as at 31 December 2010
Profit before tax	135,795	132,639
Theoretical tax at a tax rate of 19% (2010: 19%)	25,801	25,201
Tax effect of not deductible expenses	1,690	1,617
Tax effect of non-taxable income	(2,079)	(4,045)
Tax reclaim	–	(4,557)
Tax returned from previous years	(1,718)	–
Current tax	**23,694**	**18,216**
Deferred tax	489	(219)
Total income tax on ordinary activities	**24,183**	**17,997**

3.12. Details of revenues by principal activity

(in CZK thousand)

	2011			2010		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Stock exchange fees	79,460	5,911	85,371	92,363	3,049	95,412
Annual trading fees	8,740	268	9,008	13,860	–	13,860
Listing fees	8,775	4,555	13,310	7,775	3,049	10,824
Trading fees	61,965	1,088	63,053	70,728	–	70,728
Services relating to settlement	76,909	–	76,909	75,547	–	75,547
Services for POWER EXCHANGE CENTRAL EUROPE, a.s.	9,151	–	9,151	10,481	–	10,481
Other services	40,699	35,267	75,966	22,375	37,548	59,923
Total income from the sale of services	**206,219**	**41,178**	**247,397**	**200,766**	**40,597**	**241,363**

3.13. Related party transactions

3.13.1. Revenues from related party transactions

2011

(in CZK thousand)

Entity	Relation to the Company	Services	Financial income	Total
Centrální depozitář cenných papírů, a.s.	Subsidiary	39,648	5,249	44,897
CENTRAL COUNTERPARTY, a.s.	Subsidiary	127	4	131
POWER EXCHANGE CENTRAL EUROPE, a.s.	Subsidiary	10,187	79	10,266
Central Clearing Counterparty, a.s.	Subsidiary	129	69	198
Energy Clearing Counterparty, a.s.	Subsidiary	161	1,460	1,621
Total		**50,252**	**6,861**	**57,113**

2010

Entity	Relation to the Company	Services	Financial income	Total
Centrální depozitář cenných papírů, a.s.	Subsidiary	62,125	3,316	65,441
CENTRAL COUNTERPARTY, a.s.	Subsidiary	125	106	231
POWER EXCHANGE CENTRAL EUROPE, a.s.	Subsidiary	11,439	22	11,461
Central Clearing Counterparty, a.s.	Subsidiary	128	4	132
Energy Clearing Counterparty, a.s.	Subsidiary	162	–	162
Total		**73,979**	**3,448**	**77,427**

Revenues from related party transactions contain mainly:

- 65% of the total revenues of Centrální depozitář cenných papírů, a.s.; fees from trade settlement and transactions settled through AOS as well as fees from use of the communication system by participants in the settlement system who are not members of Burza cenných papírů Praha, a.s.
- 8% of the revenues of Centrální depozitář cenných papírů, a.s. for providing technical support services related to the central records of securities.
- Services supporting electric energy trading for POWER EXCHANGE CENTRAL EUROPE, a.s.
- Revenues from rental services including services related to rent.

Financial income is represented by interest from loans.

3.13.2. Services purchased from related parties

2011

(in CZK thousand)

Entity	Relation to the Company	Services
Centrální depozitář cenných papírů, a.s.	Subsidiary	8,932

2010

Entity	Relation to the Company	Services
Centrální depozitář cenných papírů, a.s.	Subsidiary	9,225

As at 31 December 2009 the partnership agreement between Burza cenných papírů Praha, a.s. and Centrální depozitář cenných papírů, a.s. from 7 November 2007 was terminated.

On 30 December 2009 a new contract was concluded between Burza cenných papírů Praha, a.s. and Centrální depozitář cenných papírů, a.s. Effective from 1 January 2010, the price for the services according to this contract amounts to 35% of the total revenues of Centrální depozitář cenných papírů, a.s. from fees from trade settlement and transactions settled through AOS.

3.14. Services

(in CZK thousand)

	2011	2010
Repairs and maintenance	1,420	1,134
Travel expenses	1,042	1,511
Representation costs	441	457
Low value intangible assets brought into use	–	7
Rental	21,069	18,011
Operating leases	1,935	1,681
Advisory services	2,031	2,183
Audit	1,795	1,700
Promotion	637	1,674
Other services	19,235	21,221
Total	**49,605**	**49,579**

3.15. Other operating income

(in CZK thousand)

	2011	2010
Impact of VAT coefficient	835	–
Sundry operating income	40	25
Total other operating income	**875**	**25**

3.16. Other operating expenses

(in CZK thousand)

	2011	2010
Gifts	250	447
Insurance premiums	549	706
Sundry operating expenses	562	628
Impact of VAT coefficient	1,590	3,849
Total other operating expenses	**2,951**	**5,630**

3.17. Proceeds from the sale of securities and investments

(in CZK thousand)

	2011	2010
Short-term financial assets (FVPL)	Selling price	Selling price
Czech bonds	–	46,782
Total proceeds from the sale of securities	**–**	**46,782**

3.18. Securities and investments sold

(in CZK thousand)

	2011	2010
Short-term financial assets (all FVPL)	Carrying amount	Carrying amount
Czech bonds	–	46,543
Total expenses financial assets	**–**	**46,543**

3.19. Income from non-current financial assets

(in CZK thousand)

	2011	2010
Dividends received from subsidiaries	9,500	20,000

In 2011 and 2010 the Company collected a dividend from its subsidiary Centrální depozitář cenných papírů, a.s.

3.20. Income from current financial assets

(in CZK thousand)

	Year 2011	Year 2010
Interest on depository notes	35	380
Gains from revaluation of FVPL securities	424	2,385
Total income from financial assets	**459**	**2,765**

3.21. Interest income

(in CZK thousand)

	2011	2010
Interest on current bank accounts	156	394
Interest on debt securities	305	694
Interest received from the loan to a subsidiary	5,541	3,459
Total interest income	**6,002**	**4,547**

3.22. Other financial income

(in CZK thousand)

	2011	2010
Foreign exchange gains	1,479	328
Other	–	–
Total	**1,479**	**328**

3.23. Other financial expenses

(in CZK thousand)

	2011	2010
Foreign exchange losses	1,224	1,565
Banking charges – bank guarantee	18	18
Banking charges – portfolio	–	2
Banking charges – other	117	144
Total	**1,359**	**1,729**

4. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES

4.1. Staff costs and number of employees

The following tables summarize the average number of the Company's employees and management for the years ended 31 December 2011 and 2010:

(in CZK thousand)

2011	Headcount	Personnel expenses total
Employees	36	49,212
Management	6	17,741
Total	**42**	**66,953**

2010	Headcount	Personnel expenses total
Employees	39	50,847
Management	6	14,911
Total	**45**	**65,758**

The management includes the CEO and director of departments. Staff costs include also social and health insurance.

4.2. Loans, borrowings and other benefits provided

During the years ended 31 December 2011 and 2010, the members of the Exchange Chamber and management received the following loans and bonuses in addition to their basic salaries:

(in CZK thousand)

2011	Exchange Chamber	Management	Total
Bonuses	2,136	–	2,136
Life and pension insurance contributions	–	205	205
Cars/other movable and immovable assets to be used for private purposes	–	612	612
Other benefits	–	128	128
Total	**2,136**	**945**	**3,081**

2010	Exchange Chamber	Management	Total
Bonuses	2,256	–	2,256
Life and pension insurance contributions	–	249	249
Cars/other movable and immovable assets to be used for private purposes	–	611	611
Other benefits	–	**193**	**193**
Total	**2,256**	**1,053**	**3,309**

Supervisory Board members did not receive any bonuses during the years 2011 and 2010.

4.3. Contingent liabilities

4.3.1. Bank guarantees

The Company has a bank guarantee provided by Komerční banka, a.s. as at 31 December 2011 in the amount of TCZK 3,500 in favour of Burzovní Palác Investment s.r.o.

An outstanding bank guarantee provided by Komerční banka, a.s. and relating to the Company's subsidiary CENTRAL COUNTERPARTY, a.s., was reduced to TCZK 20,000 on 22 December 2010.

4.3.2. Legal Disputes

As at 31 December 2011 the Company was not involved in any legal disputes, the outcome of which would significantly impact the Company's financial statements.

5. REMUNERATION OF THE STATUTORY AUDITOR

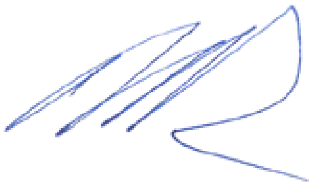
Information on the remuneration of the audit firm KPMG Česká republika, s.r.o is listed in the notes to the consolidated financial statements of the Company.

6. POST BALANCE SHEET EVENTS

After the balance sheet date the Exchange Chamber approved an increase in equity in the company Energy Clearing Counterparty, a.s. through an investment of TCZK 2,000.

Except for the above, no other events have occurred since the balance sheet date that would have a material impact on the financial statements as at 31 December 2011.

Prague, 13 March 2012



Ing. Petr Koblic
Chairman of the Exchange Chamber

Ing. Helena Čacká
Member of the Exchange Chamber

KPMG Česká republika, s.r.o.
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This document is an English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

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

We have audited the accompanying consolidated financial statements of Burza cenných papírů Praha, a.s., which comprise the statement of financial position as of 31 December 2011, and the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and the notes to these consolidated financial statements including a summary of significant accounting policies and other explanatory notes. Information about the company is set out in Note 1 to these consolidated financial statements.

Statutory Body's Responsibility for the Consolidated Financial Statements

The statutory body of Burza cenných papírů Praha, a.s. is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal controls as the statutory body determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities of Burza cenných papírů Praha, a.s. as of 31 December 2011, and of its expenses, revenues and net result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Prague
13 March 2012

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

Consolidated Statement of Financial Position as at 31 December 2011

(in CZK thousand)

	Note	31 December 2011	31 December 2010
CURRENT ASSETS			
Cash	6	2,011,940	2,344,970
Trade receivables	7	78,345	82,424
Securities held for trading	8	41,916	43,481
Securities held to maturity	9	–	37,501
Income tax receivables		–	6,725
Other current assets	10	213,870	39,796
Total current assets		**2,346,071**	**2,554,897**
NON-CURRENT ASSETS			
Tangible fixed assets	11	30,125	34,278
Intangible fixed assets	12	297,910	247,565
Other non-current assets	14	78	5,087
Total non-current assets		**328,113**	**286,930**
TOTAL ASSETS		**2,674,184**	**2,841,827**
CURRENT LIABILITIES			
Trade payables	15	117,372	122,567
Liabilities from margin deposits	16	1,933,743	1,911,318
Other current liabilities	17	52,051	324,217
Advances received	19	1,013	5,628
Income tax payable	29	13,634	–
Short-term bank loans	18	15,267	–
Provisions	21	10,365	6,898
Total current liabilities		**2,143,445**	**2,370,628**
NON-CURRENT LIABILITIES			
Other liabilities	20	6,172	2,116
Total non-current liabilities		6,172	2,116
SHAREHOLDERS' EQUITY			
Share capital	22	265,216	265,216
Other funds	22	73,492	70,899
Retained earnings	30	185,859	132,968
Total shareholders' equity		**524,567**	**469,083**
LIABILITIES AND SHAREHOLDERS' EQUITY		**2,674,184**	**2,841,827**

The notes form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2011

(in CZK thousand)

	Note	31 December 2011	31 December 2010
Revenues	**23**	**550, 326**	**430, 023**
Services	24	(125,515)	(108,608)
Material	24	(2,298)	(3,313)
Employee benefit expenses	25	(129,992)	(118,223)
Depreciation and amortization expenses	26	(75,900)	(61,387)
Other net operating expenses	27	(3,369)	(13,703)
Profit from operating activities		**213,252**	**124,789**
Interest income	28	545	1,068
Interest expense	28	(507)	–
Net trading income	28	(1,108)	3,676
Other net financial income/(expenses)	28	(3,082)	(4,449)
Net financial income		**(4,152)**	**295**
Profit before income tax		**209,100**	**125,084**
Income tax expense	29	(41,164)	(23,165)
Profit for the period		**167,936**	**101,919**
Other comprehensive income for the period		–	–
Total comprehensive income for the period		**167,936**	**101,919**

The notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity for the year ended 31 December 2011

(in CZK thousand)

	Share capital	Other funds	Retained earnings	Total
31 December 2009	**265,216**	**63,158**	**157,076**	**485,450**
Allocation of retained earnings	–	7,741	(7,741)	–
Distribution of dividends	–	–	(118,286)	(118,286)
Profit for the period	–	–	101,919	101,919
Other comprehensive income	–	–	–	–
31 December 2010	**265,216**	**70,899**	**132,968**	**469,083**
Allocation of retained earnings	–	2,593	(2,593)	–
Distribution of dividends	–	–	(112,452)	(112,452)
Profit for the period	–	–	167,936	167,936
Other comprehensive income	–	–	–	–
31 December 2011	**265,216**	**73,492**	**185,859**	**524,567**

The notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows for the year ended 31 December 2011

(in CZK thousand)

	Note	31 December 2011	31 December 2010
Profit before tax		**209,100**	**125,084**
Adjustments for non-cash transactions:			
Depreciation and amortization		75,900	61,387
Increase/(decrease) in provisions		3,810	4,223
Profit or loss on the sale of tangible and intangible fixed assets		–	(2)
Interest income		545	(1,068)
Interest expense		(507)	–
Foreign exchange differences		–	–
(Increase)/decrease in accounts receivable		(165,329)	214,911
Decrease in securities held for trading		1,565	78,887
Increase/(decrease) in accounts payable		(259,551)	(543,993)
Net operating cash flow before taxation and interest		**(134,467)**	**(60,571)**
Interest received		(545)	1,068
Interest paid		507	–
Income tax paid		(16,784)	(17,378)
Net cash flow from ordinary activities		**(151,289)**	**(76,881)**
Acquisition of tangible and intangible fixed assets		(122,900)	(325,256)
Proceeds from the sale of tangible and intangible fixed assets		–	2
Net cash flow from investing activities		**(122,900)**	**(325,254)**
Increase/(decrease) in bank loans		15,267	–
Dividends paid		(112,452)	(118,286)
Net cash flow from financing activities		**(97,185)**	**(118,286)**
Effect of exchange rate changes on cash held		843	1,445
Net increase in cash and cash equivalents		**(370,531)**	**(518,976)**
Cash and cash equivalents at the beginning of the year	**38**	**2,382,471**	**2,901,447**
Cash and cash equivalents at the end of the year	**38**	**2,011,940**	**2,382,471**

The notes form an integral part of these consolidated financial statements.

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Notes to the Consolidated Financial Statements for the year ended 31 December 2011

1. GENERAL INFORMATION

The principal subject of the operations of Burza cenných papírů Praha, a.s. (the “Company” or the “Prague Stock Exchange”) and its subsidiaries (together the “Group”) is to organize securities trading; trading in 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 authorized persons; managing the central records of dematerialized securities issued in the Czech Republic and assignment of identification numbers (ISIN) to investment instruments; securities trading; settlement of stock exchange trades; settlement of securities trades; settlement of derivative trades; arranging for and settlement of the supply of electricity; maintenance of securities accounts performed on behalf of the members of Centrální depozitář cenných papírů, a.s. and margin accounts on behalf of POWER EXCHANGE CENTRAL EUROPE, a.s. (the “Prague Energy Exchange” or “PXE”).

Burza cenných papírů Praha, a.s., having its registered office at Rybná 14, Prague 1, was incorporated by a Memorandum of Association dated 24 July 1992 by twelve Czechoslovak banks and five brokerage firms.

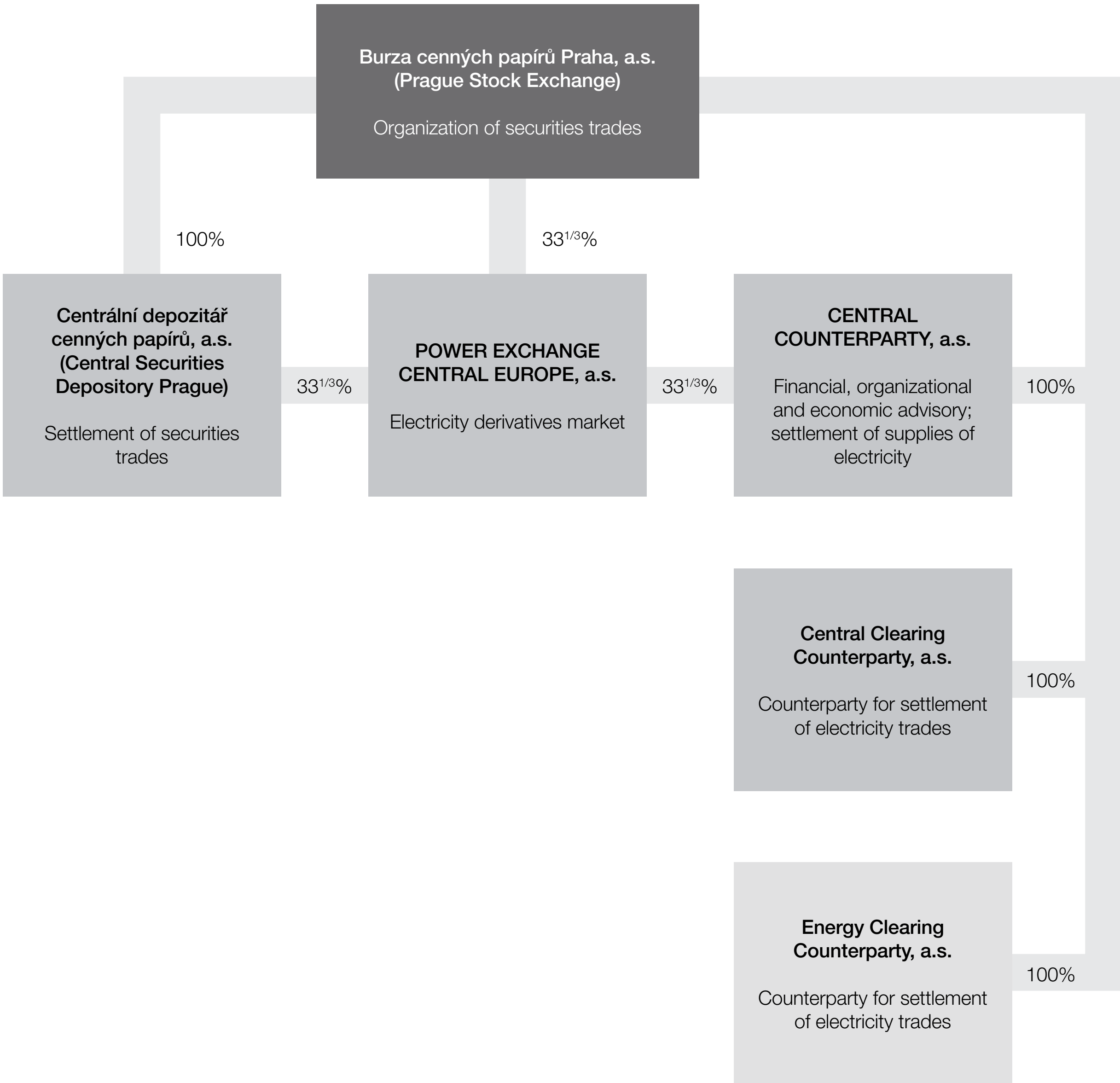
The Company was entered into the Commercial Register maintained by the District Court for Prague 1 on 24 November 1992. The Ministry of Finance of the Czech Republic granted a permit to incorporate the Company on 16 October 1992. The corporate details of the Company are maintained in the Commercial Register held at the Municipal Court in Prague, File B, insert 1773.

The consolidated financial statements are prepared based on the full consolidation method and include the following companies in the consolidated Group:

Company name	ID No.	Activity	Share in the consolidated Group	
			2011	2010
Centrální depozitář cenných papírů, a.s. (formerly UNIVYC, a.s.)	250 81 489	Settlement of securities trades	100%	100%
CENTRAL COUNTERPARTY, a.s. (formerly Centrální depositář, a.s.)	271 22 689	Financial, organizational and economic advisory; settlement of supplies of electricity	100%	100%
Central Clearing Counterparty, a.s.	283 81 696	Rent of property; electroenergy – supply of electricity (branch)	100%	100%
Energy Clearing Counterparty, a.s.	284 41 681	Rent of property; trading in electricity	100%	100%
POWER EXCHANGE CENTRAL EUROPE, a.s. (formerly Energetická burza Praha, a.s.)	278 65 444	Power derivatives market	100%	100%

All companies stated above have their registered office at: Praha 1, Rybná 682/14, postcode 110 05.

Structure of the Consolidated Group



From 8 December 2008, the majority owner of the consolidated group is CEESEG AG, which holds a 92.73% share as at 31 December 2011.

2. SPECIFIC DEVELOPMENTS IMPACTING THE GROUP'S OPERATIONS DURING 2011

The POWER EXCHANGE CENTRAL EUROPE, a.s., started trading with a new trading system, Trayport GlobalVision, through which the trading of futures contracts with physical and financial settlement for the Czech market is processed together with contracts with physical settlement for the Slovak and Hungarian market. The Trayport GlobalVision trading system is the most widely used commodity trading system, and is used in more than fifty markets around the world.

3. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (the "EU") and International Financial Reporting Standards as issued by the IASB. All International Financial Reporting Standards issued by the IASB and effective at the time of preparing these consolidated financial statements have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of International Accounting Standard IAS 39 "Financial Instruments: Recognition and Measurement". Following recommendations from the Accounting Regulatory Committee, the European Commission adopted Regulation 2086/2004 and 1864/2005 requiring the use of IAS 39, minus certain provisions on portfolio hedging of core deposits, by all listed companies from 1 January 2005.

Since the Group is not affected by the provisions regarding portfolio hedging that are not required by the EU-endorsed version of IAS 39, the accompanying financial statements comply with both International Financial Reporting Standards as adopted by the EU and International Financial Reporting Standards as issued by the IASB.

The consolidated financial statements are prepared on an accrual basis of accounting, whereby the effects of transactions and other events are recognized when they occur and are reported in the financial statements of the periods to which they relate, considering the going concern assumption. The consolidated financial statements include a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and notes to the financial statements containing accounting policies and explanatory disclosures.

The consolidated financial statements have been prepared under the historical cost convention as modified by the re-measurement of financial assets and liabilities held for trading and all financial derivatives at fair value.

The accounting policies have been consistently applied by all entities in the Group.

The presentation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and their reported amounts of income and expenses during the reporting period (see Note 5). Actual results could differ from those estimates.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1. Principles of consolidation
The consolidated financial statements present the accounts and results of the Company and of its subsidiaries.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

All inter-company balances and transactions, including inter-company profits are eliminated on consolidation. Where necessary, the accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

4.2. Functional currency
The consolidated financial statements are presented in Czech crowns, which is the functional currency of all companies in the Group. All financial information is presented in thousands of Czech crowns ("TCZK"), unless stated otherwise.

4.3. Cash and cash equivalents
Cash comprises cash in hand and cash in transit.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment purposes. Cash equivalents are reported by class in the appropriate lines of the statement of financial position.

4.4. Financial assets
The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and held-to-maturity financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Regular way purchases and sales of financial assets at fair value through profit or loss, held to maturity are recognized on the trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit and loss are initially recognized at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method. Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss' category are included in the statement of comprehensive income in the period in which they arise.

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, the Group establishes fair value using valuation techniques. These techniques represent recently released transactions under current market conditions, analysis of discounted cash flows and pricing models of options and other revaluation techniques commonly used by market participants.

4.4.1. Financial assets and financial liabilities at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition.

A financial asset or financial liability is classified as held for trading if:

- it is acquired or incurred principally for the purpose of selling or repurchasing in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- it is a derivate (except for derivative that is an effective hedging instrument).

Financial assets and financial liabilities are designated at fair value through profit or loss when:

- doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held-for-trading and the underlying financial instruments were carried at amortized cost;
- certain investments, such as equity investments, that are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel.

All gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets or financial liabilities are included in "Other net financial income/expenses".

4.4.2. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

(a) those that the entity intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;

(b) those that the entity upon initial recognition designates as available for sale; or

(c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

4.4.3. Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be reclassified as available-for-sale.

4.5. Tangible and intangible fixed assets

Tangible and intangible fixed assets are stated at historical cost less depreciation and amortization. Depreciation and amortization are calculated on a straight-line basis to write off the cost of each asset to their residual values over their estimated useful lives. The estimated useful lives of significant classes of assets are set out below:

Description	Depreciation/amortization period in years
Equipment	3–5
Vehicles	4
Furniture and fixtures	3–10
Software	3
Other intangible assets	4–12

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to other operating expenses during the financial period in which they are incurred.

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, as at each balance sheet date. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

4.6. Impairment of financial assets

Financial assets carried at amortized cost

The Group assesses as at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- breach of contract, e.g. a delay in payments of more than 180 days after the due date;
- initiation of insolvency proceedings.

The estimated period between a loss occurrence and its identification is determined by management for each identified portfolio. In general, the periods used vary between three months and 12 months; in exceptional cases, longer periods are warranted.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The Group applies the following criteria for write off of financial assets:

- the final bankruptcy resolution or cancellation of bankruptcy proceedings;
- finalization of court proceedings or declaration of the debt as irrecoverable.

4.7. Impairment of non-financial assets

Where the carrying amount of a non-financial asset stated at net book value or amortized cost is greater than its estimated recoverable amount as at the financial statements, it is written down immediately to its recoverable amount. The recoverable amount is the greater of the following amounts:

- the market value which can be recovered from the sale of an asset under normal conditions, net of selling costs;
- or the estimated future economic benefits arising from the use of the asset.

The largest components of the Group's assets are periodically tested for impairment and temporary impairments are provisioned under "Other net operating income/(expenses)" of the statement of comprehensive income. An increased carrying amount arising from the reversal of a temporary impairment must not exceed the carrying amount that would have been determined (net of amortization or accumulated amortization) had no impairment loss been recognized for the asset in prior years.

The carrying amount of a non-financial asset is written off as at the date when it may be reasonably assumed that the recoverable amount is zero, i.e. it is reasonably certain that the fair value of the asset equals zero.

4.8. Revenue recognition

Revenues are recognized on an accrual basis when the service has been provided. Exchange charges, fees from settlement of trades, fees from PXE electricity trading, income from primary issues, sales from mediation of payments of revenues from securities and sales of other services are all recognized based on the applicable service contracts. Sales from securities custody and administration are accrued on a time-apportioned basis.

4.9. Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those classified at fair value through profit or loss, are recognized within "Interest income" and "Interest expense" in the statement of comprehensive income using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

4.10. Current and deferred income tax

The income tax presented in the statement of comprehensive income comprises the current year tax charge, adjusted for deferred taxation effects. Current tax comprises the tax payable calculated on the basis of the taxable income for the year, using the tax rates valid at the balance sheet date, and any adjustment of the tax payable for previous years.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes.

The estimated value of tax losses expected to be available for utilization against future taxable income and tax deductible temporary differences are offset against the deferred tax liability within the same legal tax unit to the extent that the legal unit has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Deferred tax assets including tax losses brought forward are recognized where it is probable that future taxable profit will be available against which the temporary differences can be utilized.

4.11. Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

4.12. Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

At each balance sheet date:

- Cash items denominated in foreign currencies are translated into CZK at the Czech National Bank ("CNB") mid-rate applicable as at the balance sheet date;
- Non-monetary items denominated in foreign currencies and stated at historical cost are translated into CZK at the CNB mid-rate applicable as at the transaction date; and
- Non-cash items denominated in foreign currencies and measured at fair value are translated into CZK at the CNB mid-rate applicable as at the date on which the fair value was determined.

Income and expenses denominated in foreign currencies are recorded in Czech crowns at the exchange rate prevailing as at the date of the transaction.

Gains or losses arising from movements in exchange rates after the date of the transaction are recognized in "Other net financial income/(expense)".

4.13. Share capital and treasury shares

Ordinary shares are classified as equity. Where the Group purchases its own treasury shares or obtains rights to purchase share capital, the consideration paid, including any attributable transaction costs, is deducted from total shareholders' equity as treasury shares until they are redeemed /cancelled. Where such shares are subsequently sold or reissued, any consideration received is added to the shareholders' equity.

4.14. Stock Exchange Guarantee Fund, Collateral Fund and Margin Deposit Fund, and obligations to the association participants

4.14.1. Stock Exchange Guarantee Fund

The Group administers the funds included in the Stock Exchange Guarantee Fund ("SEGF"), which is an association with non-legal entity status. The funds of the association are deposited in separate bank and asset accounts maintained in the name of Centrální depozitář cenných papírů, a.s. Pursuant to the Agreement of the SEGF Association and instructions from the SEGF Board, the associated funds are invested in the money market in the form of term deposits or by purchasing government treasury bills and depository bills of exchange, thereby generating interest income. Since 2008 the Administration Board of SEGF has decided to use repo operations. The Group is in line with SEGF rules on the administration of SEGF funds.

The Group records SEGF funds under administration in the off balance sheet. For SEGF fund administration the Group obtains fees according to SEGF rules. These fees are recorded in operating revenues in the statement of comprehensive income. Interest income, reduced by administrative costs and the Group fee, is allocated to individual SEGF members according to SEGF rules. This split is recognized in the off-balance sheet and does not affect the Group statement of comprehensive income.

4.14.2. Collateral Fund and Margin Fund

In relation to stock exchange trades in securities, both the Collateral Fund and the Margin Fund that guarantee securities trades have been recognized. The Collateral Fund holds cash collateral that has been deposited by participants who have borrowed securities lent by other participants. The Margin Fund comprises the deposits of participants who trade in derivatives.

The Group records these funds in financial assets and correspondingly in liabilities to members in the association.

4.15. Margin Deposits and Clearing Fund

Both the Margin Deposit and Clearing Fund were established in connection with trading on the commodity exchange. The Margin Deposit serves as a guarantee of settlement of obligations from electricity transactions on the exchange (hereinafter “Margin Deposits”). The Group will use the Margin Deposits of a trading participant if the trading participant is in delay with the fulfilment of his obligations from power futures settlement. The trading participant is obliged to replenish his Margin Deposit on the day following the day when the Margin Deposit funds were used.

The Group records these funds as financial assets and correspondingly as liabilities to members in the association.

4.16. Accounting for derivative financial instruments

Derivatives are initially recognized at fair value on the date on which a derivative contract is concluded and are subsequently re-valued at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models. All derivatives are recognized as assets when fair value is positive and as liabilities when fair value is negative.

Derivatives do not meet the criteria for hedge accounting. Changes in the fair value of all derivative instruments are immediately recorded in the statement of comprehensive income within “Other net financial income/(expenses)”.

4.17. Changes in accounting policies arising from the adoption of new IFRS and amendments to existing IAS effective since 1 January 2011

During the current accounting period, the Group adopted all new and amended standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB which relate to its line of business, are applicable to the accounting period beginning on 1 January 2011 and were adopted by the European Union.

Impact of issued but not yet effective standards and interpretations

As at the date of authorization of these financial statements, the following standards and interpretations relevant for the Group were issued but were not yet effective, and the Group has not adopted them early:

The Group assessed the influence of the following standards, interpretations and modifications to existing standards that are not yet effective and have not been used in preparing these financial statements, but are already approved and will affect the preparation of financial statements in the future. The Group plans to implement these standards at the date of their effectiveness.

Amendment to IFRS 7 *Disclosure – Transfers of Financial Assets* (effective for accounting periods from 1 July 2011), which requires disclosure of information regarding the relationship between transferred financial assets which are not booked out in full, and the corresponding liabilities and assessment of the risks associated with possession of not fully booked financial assets.

Amendment to IFRS 7 *Disclosure – compensation for financial assets and financial liabilities* (effective for accounting periods from 1 January 2013), which requires disclosure of additional information on financial assets and liabilities that are offset in the statement of financial position and are subject to netting agreements.

The management presumes that the Group will not early adopt any of these standards and interpretations and that their ultimate adoption will not have a significant impact on the Group's financial statements at their first-time application.

4.18. Application of IFRS 7 – Financial Instruments: Disclosures

The Group's consolidated financial statements for the year ended 31 December 2011 were prepared in accordance with the standard IFRS 7 – Financial Instruments: Disclosures.

Pursuant to IAS 39 Financial Instruments: Recognition and Measurement, the Group classifies financial instruments into the categories set out below.

The Group recognizes the following types of financial instruments:
Financial instruments by class and category as at 31 December 2011.

(in CZK thousand)

Categories	Loans and receivables	Securities held to maturity	Securities held for trading	Financial liabilities	Financial assets held for trading (derivatives)	Financial liabilities held for trading
Classes						
Cash	2,011,940	–	–	–	–	–
Trade receivables	78,345	–	–	–	–	–
Securities held for trading	–	–	41,916	–	–	–
Securities held to maturity	–	–	–	–	–	–
Other current assets	29,457	–	–	–	269	–
Other non-current assets	78	–	–	–	–	–
Trade payables	–	–	–	117,372	–	–
Liabilities from Margin Deposits	–	–	–	1,933,743	–	–
Current advances received				1,013		–
Other current liabilities	–	–	–	31,129	–	–
Short-term bank loans	–	–	–	15,267	–	–
Other long-term liabilities	–	–	–	–	–	–
Total	**2,119,820**	**–**	**41,916**	**2,098,524**	**269**	**–**

Financial instruments by class and category as at 31 December 2010.

(in CZK thousand)

Categories	Loans and receivables	Securities held to maturity	Securities held for trading	Financial liabilities	Financial assets held for trading (derivatives)	Financial liabilities held for trading
Classes						
Cash	2,344,970	–	–	–	–	–
Trade receivables	82,424	–	–	–	–	–
Securities held for trading	–	–	43,481	–	–	–
Securities held to maturity	–	37,501	–	–	–	–
Other current assets	29,675	–	–	–	–	–
Other non-current assets	5,087	–	–	–	–	–
Trade payables	–	–	–	122,567	–	–
Liabilities from Margin Deposits	–	–	–	1,911,318	–	–
Current advances received				5,628		–
Other current liabilities	–	–	–	298,285	–	–
Short-term bank loans	–	–	–	–	–	–
Other long-term liabilities	–	–	–	–	–	–
Total	**2,462,156**	**37,501**	**43,481**	**2,337,798**	**–**	**–**

Gains and losses by category of financial instrument for 2011.

(in CZK thousand)

Categories	Loans and receivables	Securities held to maturity	Securities held for trading	Financial liabilities	Financial assets held for trading (derivatives)	Financial liabilities held for trading (derivatives)
Interest income	545	–	–	–	–	–
Interest expense	–	–	–	(507)	–	–
Net trading income	–	–	(1,108)	–	–	–
Net financial income	82,197	–	–	(86,829)	2,837	(1,287)
Total	**82,742**	**–**	**(1,108)**	**(87,336)**	**2,837**	**(1,287)**

Gains and losses by category of financial instrument for 2010.

(in CZK thousand)

Categories	Loans and receivables	Securities held to maturity	Securities held for trading	Financial liabilities	Financial assets held for trading (derivatives)	Financial liabilities held for trading (derivatives)
Interest income	1,068	–	–	–	–	–
Interest expense	–	–	–	–	–	–
Net financial income	(94,643)	–	3,676	94,795	(2,115)	(2,486)
Total	**(93,575)**	**–**	**3,676**	**94,795**	**(2,115)**	**(2,486)**

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLICATION OF ACCOUNTING POLICIES

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1. Impairment losses on trade receivables

The Group reviews its trade receivables to assess impairment as at the balance sheet date. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Adjustment to receivables is created on the basis of the ageing structure and individual evaluation of the creditworthiness of debtors. Bad debts are written off after the bankruptcy of the debtor.

At 31 December 2011 and 31 December 2010 the Group recognized an impairment loss on trade receivables; court action is underway for their enforcement and the likelihood of payment is minimal

5.2. Held-to-maturity investments

The Group follows IAS 39 guidelines on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount or sale close to maturity – it will be required to reclassify the entire category as available-for-sale.

If all the held-to-maturity investments are tainted, the investments would therefore be measured at fair value not amortized cost and accounted into the equity reserve. The impact from revaluation into equity would be immaterial due to the short-term nature of all instruments and their fair value does not significantly differ from their carrying value.

5.3. Determination of fair value

For determination of the fair value of financial assets and liabilities without any current market price, the valuation techniques described in 4.3 are used. For financial instruments that are traded only rarely and which are of low price transparency, fair value is less objective and require various levels of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks that affect the specific amounts.

The Company determines fair value using the following hierarchical system that reflects the significance of inputs used in valuation:

- Level 1: prices of identical assets or liabilities quoted in active markets (unadjusted)
- Level 2: derived from objectively observable market data, either directly (i.e. prices of similar instruments) or indirectly (i.e., derivation from prices)
- Level 3: input data that are not based on objectively observable market data (inputs that cannot be determined objectively)

If there is no active market for the selected financial instrument, fair value is estimated using valuation techniques. When valuation techniques are applied, management makes estimates and assumptions that are based on available information as would be applied by participants in the market in determining the price of the financial instrument.

5.4. Income taxes

The Group is subject to income taxes in the Czech Republic. Estimates are required in determining the current and deferred taxes.

The management of the Group assessed available information about future taxable profits and other potential sources of deferred tax asset utilization.

In 2011, the Group reported a deferred tax liability mainly arising from temporary differences in fixed assets which will affect the corporate income tax base in future periods.

6. CASH

Cash as at 31 December 2011 and 2010 consists of the following balances:

(in CZK thousand)

	2011	2010
Cash in hand	510	391
Cash at bank	39,731	69,611
Stock Exchange Guarantee Fund and Collateral Fund	28,006	300,210
Term deposits	20,840	40,837
Margin Deposits for trades in electricity	1,922,853	1,933,921
Total cash	**2,011,940**	**2,344,970**

7. TRADE RECEIVABLES

Trade receivables as at 31 December 2011 and 2010 consist of the following balances:

(in CZK thousand)

	2011	2010
Trade receivables	81,182	84,918
Provision	(2,837)	(2,494)
Total receivables (net)	**78,345**	**82,424**

Trade receivables represent mainly fee receivables from the activities of stock exchange members, participants in the settlement of investment instruments and electricity traders at the commodity exchange.

Impairment provisions can be analysed as follows:

(in CZK thousand)

	2011	2010
Balance as at 1 January	2,494	2,517
Additions to provisions	357	–
Release of provisions	(14)	(19)
Use for write-offs of receivables	–	(4)
As at 31 December	**2,837**	**2,494**

8. SECURITIES HELD FOR TRADING

(in CZK thousand)

	2011	2010
Traded debt securities and other variable yield securities	41,916	43,481

9. SECURITIES HELD TO MATURITY

(in CZK thousand)

	2011	2010
Depository notes issued by Czech banks	–	37,501

10. OTHER CURRENT ASSETS

(in CZK thousand)

	2011	2010
Accrued income	1,869	392
Estimated receivables	148	588
Positive fair value of derivatives	269	–
Other financial assets	27,440	28,695
Financial assets	**29,726**	**29,675**
Prepayments	49,657	9,900
Short-term advances	244	191
Receivables from employees	31	30
Receivable from the state for VAT refund and CIT advances	134,212	–
Non-financial assets	**184,144**	**10,121**
Total	**213,870**	**39,796**

11. TANGIBLE FIXED ASSETS

(in CZK thousand)

2011	Equipment	Vehicles	Fixtures and fittings	Other	Fixed assets under construction	Total
Cost						
As at 1 January 2011	92,999	14	9,668	11,339	–	114,020
Additions	5,376	–	1,204	496	967	8,043
Disposals	(702)	–	(75)	(714)	(759)	(2,250)
As at 31 December 2011	**97,673**	**14**	**10,797**	**11,121**	**208**	**119,813**
Accumulated depreciation						
As at 1 January 2011	59,946	14	8,877	10,905	–	79,742
Depreciation charge	10,666	–	419	353	–	11,438
Disposals	(703)	–	(75)	(714)	–	(1,492)
As at 31 December 2011	**69,909**	**14**	**9,221**	**10,544**	**–**	**89,688**
Net book value						
As at 1 January 2011	**33,053**	**–**	**791**	**434**	**–**	**34,278**
As at 31 December 2011	**27,764**	**–**	**1,576**	**577**	**208**	**30,125**

2010	Equipment	Vehicles	Fixtures and fittings	Other	Fixed assets under construction	Total
Cost						
As at 1 January 2010	66,910	14	7,997	12,831	39	87,791
Additions	31,990	–	2,226	108	–	34,324
Disposals	(5,901)	–	(555)	(1,600)	(39)	(8,095)
As at 31 December 2010	**92,999**	**14**	**9,668**	**11,339**	**–**	**114 020**
Accumulated depreciation						
As at 1 January 2010	57,146	14	7,297	11,459	–	75,916
Depreciation charge	8,701	–	2,135	1,046	–	11,882
Disposals	(5,901)	–	(555)	(1,600)	–	(8,056)
As at 31 December 2010	**59,946**	**14**	**8,877**	**10,905**	**–**	**79,742**
Net book value						
As at 1 January 2010	**9,764**	**–**	**700**	**1,372**	**39**	**11,875**
As at 31 December 2010	**33,053**	**–**	**791**	**434**	**–**	**34,278**

Tangible fixed assets of the Group predominantly include computers necessary to secure trading, central securities register and data store.

The additions to tangible fixed assets in the amount of TCZK 8,043 in 2011 mainly represent the purchase of IT (servers, computers, backup equipment, switches) and air conditioning.

The additions to tangible fixed assets in 2010 are related to the takeover of Středisko cenných papírů ("SCP" former securities administrator) activities and mainly represent the purchase of IT (servers, computers, backup equipment, switches) and office equipment (copying machine, office furniture) totalling TCZK 34,324.

12. INTANGIBLE FIXED ASSETS

(in CZK thousand)

2011	Software	Other	Total
Cost			
As at 1 January 2011	106,496	232,500	338,996
Additions	113,909	948	114,857
Disposals	(33,119)	–	(33,119)
As at 31 December 2011	**187,286**	**233,448**	**420,734**
Accumulated amortization			
As at 1 January 2011	78,801	12,630	91,431
Amortization charge	45,226	19,236	64,462
Disposals	(33,069)	–	(33,069)
As at 31 December 2011	**90,958**	**31,866**	**122,824**
Net book value			
As at 1 January 2011	**27,695**	**219,870**	**247,565**
As at 31 December 2011	**96,328**	**201,582**	**297,910**

2010	Software	Other	Total
Cost			
As at 1 January 2010	43,137	5,845	48,982
Additions	64,277	226,655	290,932
Disposals	(918)	–	(918)
As at 31 December 2010	**106,496**	**232,500**	**338,996**
Accumulated amortization			
As at 1 January 2010	40,020	2,800	42,820
Amortization charge	39,678	9,830	49,508
Disposals	(897)	–	(897)
As at 31 December 2010	**78,801**	**12,630**	**91,431**
Net book value			
As at 1 January 2010	**3,117**	**3,045**	**6,162**
As at 31 December 2010	**27,695**	**219,870**	**247,565**

The most significant items of intangible assets of the Group are valuated database records of SCP and the purchase of software licences associated with the activities of the central securities depository. The Group spent TCZK 111,740 (2010: TCZK 289,026) on the purchase of these assets.

Another significant part of intangible assets of the Group are the operating system, applications used for development and software programs necessary to secure the continuity of stock trading and settlement of transactions with investment instruments.

The Group has unfinished intangibles in the amount of TCZK 948 (2010: TCZK 0). The amount is related to the implementation of a system to store and manage archived data.

Disposals of intangible assets of TCZK 33,199 in 2011 relates mainly to the withdrawal of licences for computer software for a specific time period.

13. OPERATING LEASES

As at 31 December 2011, the Company has 10 cars under operating leases. The total value of lease payments paid in 2011 amounted to TCZK 2,738 (2010: TCZK 2,399). The companies of the Group are located in rented premises. In 2011, the amount for the rent of these premises was TCZK 10,338 (2010: TCZK 10,552).

The Company has the following contractual obligations in respect of operating leases:

(in CZK thousand)

	2011	2010
Due in 1 year	13,590	12,467
Due in 1–5 years	55,934	53,160
Total	**69,524**	**65,627**

14. OTHER NON-CURRENT ASSETS

(in CZK thousand)

	2011	2010
Non-current advances paid	78	5,087

Other non-current assets include long-term advances issued according to contracts and will be settled on expiration date of the contractual arrangements.

Since 2007, a long-term advance – an escrow deposit of TCZK 5,000 is issued to OTE (an electricity market operator) according to the Contract on the settlement of variances and pursuant to business terms and conditions.

In November 2011 the financial security at OTE totalling TCZK 5,000 was reduced.

15. TRADE PAYABLES

(in CZK thousand)

	2011	2010
Trade payables from electricity trading	101,828	111,597
Other trade payables	15,544	10,970
Total	**117,372**	**122,567**

Overdue status of trade payables was as follows:

(in CZK thousand)

Year	Category	Before due date	Overdue					Total after due date	Total
			0–90 days	91–180 days	181–360 days	1–2 years	2 years and more		
2011	Current	117,372	–	–	–	–	–	–	117,372
2010	Current	122,567	–	–	–	–	–	–	122,567

16. LIABILITIES FROM MARGIN DEPOSITS

(in CZK thousand)

Financial liabilities	2011	2010
Liabilities from electricity and derivatives trading (margin deposits)	1,933,743	1,911,318

17. OTHER LIABILITIES

(in CZK thousand)

	2011	2010
Accrued expenses	3,653	14,121
Estimated payables	7,586	3,450
Payables from received guarantees for lent securities (Collateral Fund)	19,484	280,187
Other payables	406	527
Financial liabilities	**31,129**	**298,285**
Payables to staff	11,702	9,778
Social security and health insurance payables	5,918	4,989
Other payables	3,302	11,165
Non-financial liabilities	**20,922**	**25,932**
Other current liabilities	**52,051**	**324,217**

Accrued expenses in 2011 consists of accrued revenues for the services of the Group (in 2010 accrued expenses principally comprised of unsettled services related to the lease of the Stock Exchange Palace building.)

Estimated payables comprise estimated expenses for services associated with the lease of the Stock Exchange Palace building, for advisory services and wages and salaries.

18. BANK LOANS

The Group has a general agreement with Komerční banka, a.s. to provide a credit line in the amount of TUSD 300, i.e. TCZK 5,982 (2010: TCZK 5,625). For the period ended 31 December 2011, the Group used a credit line in the amount of TCZK 3,500 (2010: TCZK 3,500)

The Group also has an agreement with Komerční banka, a.s. for bank payment guarantees, in order to protect the Company's commitment to OKTE, a.s., in the amount of TEUR 440, i.e. TCZK 11,352. (2010: TCZK 11,026)

The Group has a general agreement with Komerční banka, a.s. to provide a credit line in the amount of TCZK 270,000 (2010: TCZK 300,000). The Group has undrawn commitments as at 31 December 2011 in the amount of TCZK 218,066. The balance sheet liability as at 31 December 2011 was TCZK 15,267 (2010: TCZK 0).

19. SHORT-TERM ADVANCES RECEIVED

In 2011 there was a short-term advance in the amount of TCZK 1,000 (2010: TCZK 0), in connection with the activities of the Exchange Court of Arbitration. In March 2012 this advance was settled.

As at 31 December 2010, the Group recognized short-term advances received amounting to TCZK 5,489 (2009: TCZK 5,974), which were used to cover a time discrepancy between due dates of SCP's invoices and encashment of payments by securities brokers. In connection with the acquisition of central securities depository activities in the second half of 2010, the advances received have been subsequently settled by the Group and as at the 31 December 2011 all the advances were settled.

20. DEFERRED TAX

Deferred income tax is recognized on all temporary differences between the accounting and tax carrying amount of an asset or liability using the tax rates that have been enacted and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The Group recognizes a deferred tax liability as at 31 December 2011 in the amount of TCZK 2,000 (2010: TCZK 1,255) due to tax losses, from current and previous periods. The Group does not claim this receivable as it does not expect to apply it in future periods.

The Group only claims receivables which it expects to apply in future periods.

Deferred income tax assets/(liabilities) are attributable to the following items arising from temporary differences:

(in CZK thousand)

	2011	2010
Fixed assets	(8,220)	(3,463)
Provisions	1,815	1,311
Other	233	36
Deferred tax asset/(liability)	**(6,172)**	**(2,116)**

The movement in the deferred income tax account can be analysed as follows:

(in CZK thousand)

	2011	2010
As at 1 January	(2,116)	475
Tax charge per the statement of comprehensive income (Note 28)	(4,056)	(2,591)
As at 31 December	**(6,172)**	**(2,116)**

21. PROVISIONS

The Group set aside provisions which may be structured into the following items:

(in CZK thousand)

	2011	2010
Endowment Life Assurance	–	1,398
Remuneration provision	9,553	5,500
Income tax provision	812	–
Total	**10,365**	**6,898**
Impact on profit (creation)/release	**3,467**	**(4,223)**

In 2011 the provision for endowment life assurance was released upon termination of the agreements for capital life assurance.

(in CZK thousand)

	Endowment Life Assurance	2010	Others	Total
1 January 2011	1,398	5,500	–	6,898
Use of provision	(1,398)	(5,000)	–	(6,398)
Release of provision	–	(500)	–	(500)
Creation of provision	–	9,553	812	10,365
31 December 2011	**–**	**9,533**	**812**	**10,365**

22. SHARE CAPITAL AND SHAREHOLDERS' FUNDS

Share capital

The balance of the Company's share capital recorded in the Commercial Register comprises 265,216 registered common shares with a nominal value of CZK 1,000 per share as at 31 December 2011 and 2010.

Treasury shares and share premium

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

The Company is obliged to repurchase own shares if the Exchange Chamber does not approve the transfer to another party. The Company is required to dispose of repurchased treasury shares within a three-year period. If the treasury shares are not resold within that time limit, the Company is required to cancel the shares and reduce its share capital by their nominal value.

The Company did not purchase from or sell to its shareholders any of its own shares in 2011 and 2010.

Other funds

(in CZK thousand)

	2011	2010
Other capital funds	9,900	9,900
Statutory reserve fund	63,592	60,999
Total	**73,492**	**70,899**

Other capital funds represent part of the share capital of the subsidiary Centrální depozitář cenných papírů a.s. of TCZK 9,900 that was increased in the previous accounting periods by a bonus issue.

Individual companies of the Group are obliged in accordance with the Commercial Code to allocate 5% percent of their net profit to the statutory reserve fund until the level of 20% of share capital is achieved. This reserve can be used exclusively to cover losses.

23. REVENUES

The following table sets out the structure of revenues:

(in CZK thousand)

	2011		2010	
	Volume	Structure %	Volume	Structure %
Exchange charges	129,912	23.6	140,582	32.7
trading charges	63,042	11.5	70,719	16.4
information services	44,541	8.1	45,170	10.5
listing charges	13,310	2.4	10,824	2.5
membership fees	9,008	1.6	13,860	3.2
trading charges – derivatives	11	0.0	9	0.0
Revenues from central depository services	240,037	43.6	104,036	24.2
Revenues from settlement of trades	104,580	19.0	102,034	23.7
Revenues of PXE from electricity trading	49,418	9.0	49,377	11.5
Revenues from securities custody and administration	9,838	1.8	24,576	5.7
Revenues from other services	16,405	3.0	9,087	2.1
Income from primary issues	–	0.0	282	0.1
Revenues from mediation of payments of revenues from securities	135	0.0	51	0.0
Total revenues	**550,326**	**100.0**	**430,023**	**100.0**

Revenues from other services principally comprise fees for the provision of information to third parties and other fees.

24. COST OF SERVICES AND MATERIAL

The following table sets out the structure of purchased services:

(in CZK thousand)

	2011	2010
Consumed material	(2,298)	(3,313)
Total material used	**(2,298)**	**(3,313)**
Rent	(23,992)	(22,287)
Outsourcing (security, payroll)	(1,168)	(1,127)
Custody	(141)	(13,142)
Other services (member fees to associations, information services, carriage)	(74,124)	(43,992)
Professional advisory services (tax and legal)	(7,959)	(9,988)
Audit services	(3,035)	(2,940)
Repairs and maintenance	(1,559)	(1,323)
Advertising and promotion	(3,625)	(3,506)
Travel and representation expenses	(9,912)	(10,303)
Total services used	**(125,515)**	**(108,608)**
Total	**(127,813)**	**(111,922)**

The Company’s auditor, KPMG Česká republika Audit, s.r.o., did not provide to the Group any other material services than the statutory audit.

25. EMPLOYEE BENEFIT EXPENSES

(in CZK thousand)

	2011	2010
Wages	(93,531)	(84,128)
Statutory social and health insurance	(26,804)	(24,213)
Other employee expenses	(6,202)	(6,307)
Total	**(126,537)**	**(114,648)**

In 2011 and 2010 members of the Exchange Chambers, Boards of Directors and Supervisory Boards obtained the following remuneration:

(in CZK thousand)

	2011	2010
Exchange Chambers and Boards of Directors	(3,420)	(3,540)
Supervisory Boards	(35)	(35)
Total	**(3,455)**	**(3,575)**

26. DEPRECIATION AND AMORTIZATION EXPENSES

(in CZK thousand)

	2011	2010
Depreciation of tangible fixed assets (Note 11)	(11,438)	(11,881)
Amortization of intangible fixed assets (Note 12)	(64,462)	(49,506)
Total	**(75,900)**	**(61,387)**

27. OTHER NET OPERATING REVENUES/EXPENSES

Other operating income/(expenses) are as follows:

(in CZK thousand)

	2011	2010
Other operating income	13,302	10,575
Change in operating provisions and allowances (Note 7 and 18)	(531)	1,003
Insurance premium	(2,130)	(2,241)
Gifts	(523)	(465)
Unclaimed VAT	(3,725)	(10,091)
Gains from the sale of fixed assets and raw material	90	2
Other taxes and fees	(225)	(135)
Other operating expenses	(9,627)	(12,350)
Total	**(3,369)**	**(13,703)**

Other operating income consisted primarily of fees for suspended and unsettled trades of TCZK 7,017 (2010: TCZK 6,720) and fees for inter-bank payments of TCZK 2,696 (2010: TCZK 2,651).

Other operating expenses constitute primarily the costs for administration of foreign securities in the amount of TCZK 6,797 (2010: TCZK 7,639). Another significant amount is represented by fees for giro payments to CNB of TCZK 1,381 (2010: TCZK 1,405). Further operating expenses consist of fees for organizing trading on the Hungarian spot electricity market in the amount of TCZK 624 (2010: TCZK1,530).

Effective from 1 January 2009, Burza cenných papírů Praha, a.s., POWER EXCHANGE CENTRAL EUROPE, a.s. and Centrální depozitář cenných papírů, a.s. (henceforth “the Group”), created a Value Added Tax (henceforth “VAT”) group according to Act No. 235/2004. Consequently the Group is registered under a joint VAT identification number. As at 31 January 2011 the Group expanded to include Central Clearing Counterparty, a.s. and Energy Clearing Counterparty, a.s. The Group recognizes the cost to apply the amount of VAT that cannot be claimed as a tax deductible item in the VAT return.

28. NET FINANCIAL INCOME/EXPENSES

Net financial income/expenses are made up as follows:

(in CZK thousand)

	2011	2010
Net trading income	(1,108)	3,676
Interest income	545	1,068
Interest expense	(507)	–
Net result from transactions with derivatives	1,550	(4,601)
Other financial income/(expense)	(4,632)	152
Net financial income	**(4,152)**	**295**

Other financial income/expenses are represented by revenues from depository notes, FX differences and bank fees.

29. INCOME TAX EXPENSE

Income tax expense can be analysed as follows:

(in CZK thousand)

	2011	2010
Income tax payable – current period	38,907	24,786
Deferred tax (Note 20)	4,056	2,591
Additional corporate income tax payment/(refund)	(1,798)	(4,212)
Total income tax	**41,164**	**23,165**

The tax on the Group’s profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

(in CZK thousand)

	2011	2010
Profit before tax	**209,100**	**125,084**
Theoretical tax calculated at a tax rate of 19% (2009: 20%)	39,729	23,766
Income not subject to tax	(169)	(538)
Expenses not deductible for tax purposes	3,402	4,149
Other	(1,798)	(4,212)
Total income tax expense	**41,164**	**23,165**

Tax in the statement of financial position

(in CZK thousand)

	2011	2010
Income tax payable – current period	38,907	24,786
Income tax advance payments	(25,273)	(31,511)
Income tax payable/(receivable)	**13,634**	**(6,725)**

30. RETAINED EARNINGS

(in CZK thousand)

	2011	2010
Retained earnings from prior years	**132,968**	**157,076**
Profit for the period	167,936	101,919
Dividends paid	(112,452)	(118,286)
Allocations to other funds	(2,593)	(7,741)
Retained earnings as at 31 December	**185,859**	**132,968**

31. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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.

The following table analyses book values and fair values of financial assets and liabilities which are not reported in their fair value in the Group's statement of financial position.

(in CZK thousand)

	2011		2010	
	Fair Value	Accounting value	Fair Value	Accounting value
Financial assets				
Trade receivables	78,345	78,345	82,424	82,424
Securities held to maturity	–	–	37,501	37,501
Other current assets	213,601	213,601	39,796	39,796
Financial liabilities				
Trade payables	117,372	117,372	122,567	122,567
Margin trade payables	1,933,743	1,933,743	1,911,318	1,911,318
Short-term advances	1,013	1,013	5,628	5,628
Other liabilities	52,051	52,051	324,127	324,127
Bank loans	15,267	15,267	–	–

* item "Other current assets" does not include positive fair value of derivatives

Fair value of above reported items is equal to their book value as these assets and liabilities are with short maturities.

32. MANAGEMENT OF CREDIT RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Group actively reduces the credit risk that arises mainly on the settlement of trades in securities and derivatives. In order to reduce the credit risk, the market participants are obliged to contribute to the Stock Exchange Guarantee Fund, Collateral Fund and Margin Fund and give to the Group direct debit authorization for their current accounts.

The Group actively reduces the credit risk of its investments in securities. Management of the securities' portfolio was outsourced to a new external contractor in 2010. The investment strategy remains aimed at obtaining optimum returns on funds entrusted to the external contractor for a minimum period of six months. As the purpose is to increase the portfolio value, the funds are invested in bonds of the main, secondary and open market of the Prague Stock Exchange, into mortgage bonds of Czech issuers, bonds traded in the markets of OECD member states denominated in Czech crowns and in money market instruments so that the maximum volume of funds invested in individual instruments does not exceed the limits set out below:

Instrument type	Share in portfolio
Money market instruments (deposits, bonds with a fixed coupon denominated in CZK and with a residual maturity of up to 1 year, bonds with a variable coupon denominated in CZK)	Maximum 100%
Bonds with a fixed coupon denominated in CZK and with a residual maturity of 1 to 2 years	Maximum 80%
Bonds with a fixed coupon denominated in CZK and with a residual maturity of 2 to 6 years	Maximum 40%

Maximum exposure to credit risk and the quality of assets

(in CZK thousand)

	2011	2010
Cash	2,011,940	2,344,970
Trade receivables	78,345	82,424
Securities held for trading	41,916	43,481
Securities held to maturity	–	37,501
Other current assets	29,726	29,675
Other non-current assets	78	5,087
Total	**2,162,005**	**2,543,139**

Quality of financial assets which are not overdue or impaired

(in CZK thousand)

S&P rating 2011	AAA	AA- to AA+	A- to A+	BBB	No rating	Total
Securities held for trading	41,916	–	–	–	–	41,916
Securities held to maturity	–	–	–	–	–	–
Cash	–	1,111	2,010,319	–	510	2,011,940
Trade receivables	–	–	–	–	78,345	78,345
Other financial assets	–	–	–	–	29,726	29,726
Other non-current assets	–	–	–	–	78	78
Total	**41,916**	**1,111**	**2,010,319**	**–**	**108,659**	**2,162,005**

S&P rating 2010	AAA	AA- to AA+	A- to A+	BBB	No rating	Total
Securities held for trading	43,481	–	–	–	–	43,481
Securities held to maturity	–	–	37,501	–	–	37,501
Cash	–	277	2,343,049	–	1,644	2,344,970
Trade receivables	–	–	–	–	82,424	82,424
Other financial assets	–	–	–	–	29,675	29,675
Other non-current assets	–	–	–	–	5,087	5,087
Total	**43,481**	**277**	**2,380,550**	**–**	**118,830**	**2,543,139**

The Group deposited its financial assets in the following banks and with the following rating and participation:

2011	
Komerční banka, a.s.	A
Československá obchodní banka, a.s.	A
Česká spořitelna, a.s.	A
UniCredit Bank Czech Republic, a.s.	Rating not available, though its 100% shareholder UniCredit Bank Austria AG, Österreich, has an A rating
Citibank Europe plc, organizační složka	A
Clearstream bank	AA

2010	
Komerční banka, a.s.	A
Československá obchodní banka, a.s.	A
Česká spořitelna, a.s.	A
UniCredit Bank Czech Republic, a.s.	Rating not available, though its 100% shareholder Bank Austria Creditanstalt AG, Österreich, has an A rating
Citibank Europe plc, organizační složka	A+
Clearstream bank	AA

Trade receivables arise mainly from fees for services that the Group provides to the participants of trade and settlement and to other parties. The Company does not have any minimum criteria for credit risk management of its participants. All participants are treated equally and are generally accepted as highly credible counterparties.

Individually impaired financial assets

The Group owns individually impaired receivables in the amount of TCZK 2,930 (2010: TCZK 2,494). An allowance was created for these receivables totalling TCZK 2,837 (2010: TCZK 2,494). These receivables are not secured.

Of these receivables, the following claims have been made:

- in court as at 31 December 2011: TCZK 1,187 (2010: TCZK 1,201);
- under forced administration as at 31 December 2011: TCZK 1,340 (2010: TCZK 1,294).

Overdue financial assets, not impaired

The Group records past due receivables of TCZK 1,150 as at 31 December 2011 (2010: TCZK 1,063).

(in CZK thousand)

Year	Ageing structure – overdue financial assets						
	up to 60 days	up to 90 days	up to 180 days	up to 360 days	up to 2 years	2 years and more	Total
2011	70	360	627	93	–	–	1,150
2010	0	981	82	–	–	–	1,063

33. MANAGEMENT OF LIQUIDITY RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

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 Group is exposed to limited liquidity risk since it is refinanced mainly by its shareholders' equity. The Group uses a bank credit line to cover the lack of financial resources blocked by excessive deduction of value added tax.

In prior years, the Group reinvested temporarily available funds in short-term, highly liquid securities. In 2010 the Group used these investments as collateral in order to obtain cash funds to finance its business activities related to the commencement of the central securities depository business in the second half of the year.

Considering the fact that most financial assets and liabilities are non-interest-bearing and are recognized in the nominal value; the actual residual maturity corresponds to the timing of the expected future cash flows.

Trade payables as at 31 December 2011 and 2010 mature within three months.

Liabilities from margin deposits in the amount of TCZK 1,933,743 represent payables from the settlement of trades in electricity and financial derivatives (2010: TCZK 1,911,318). These payables are due within one month.

Other financial liabilities comprise mostly received collateral related to borrowed securities in the amount of TCZK 19,484 (2010: TCZK 280,187). These payables are due within three months.

Derivatives

The Group had outstanding derivative contracts with ČEZ, a.s. as at 31 December 2011.

Purchase EUR	Payment	Receipt (TEUR)	Settlement date	Nominal value as at 31 December 2011 (TCZK)	Fair value as at 31 December 2011 (TCZK)
FX forward	11,826	463	25 January 2012	11,956	130
FX swap – forward	11,316	444	25 January 2012	11,455	139
Positive fair value of derivatives					**269**

Fair value of these derivatives at the balance sheet date was calculated based on market values using valuation techniques such as discounted future cash-flow models.

34. MANAGEMENT OF MARKET RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Group is exposed to foreign currency risk because of the excessive value added tax deducted in connection with electrical energy trading with participants who pay value added tax outside the Czech Republic. This results in a time discrepancy of cash flows and currencies between receiving the VAT tax refund in Czech crowns and meeting its obligations regarding payments to electricity suppliers in a foreign currency, i.e. in EUR.

The Group hedges against the currency risk arising especially from trades on the power exchange through concluding fixed term operations (forwards and swaps). It uses derivatives to hedge cash flows from recognized liabilities.

In order to cover these EUR currency needs and thus be able to meet its obligations to suppliers of electricity, the Group uses hedging derivatives.

The Group uses only EUR as a foreign currency.

For internal risk management, the Group defined two scenarios of possible EUR currency trends in 2012. The first scenario assumes an increase in the rate (depreciation of CZK) by CZK 3 and the second assumes a decrease in the rate (appreciation of CZK) by CZK 3.5.

Sensitivity analysis of foreign currency (EUR) financial assets and liabilities (excluding derivatives):
Depreciation scenario: If the exchange rate of EUR to CZK increases by CZK 3 as at 31 December 2011, the financial loss increases by TCZK 2,374 (2010: financial profit increases by TCZK 4,734) with respect to the translation of assets and liabilities denominated in EUR with a corresponding increase in profit before tax for 2011.

Appreciation scenario: If the exchange rate of EUR to CZK decreases by CZK 3.5 as at 31 December 2011, the financial loss decreases by TCZK 2,770 (2010: financial profit decreases by TCZK 5,523) with respect to the translation of assets and liabilities denominated in EUR with a corresponding decrease in profit before tax for 2011.

The following table shows the currency position of the Group as at 31 December 2011:

(in CZK thousand)

	CZK	EUR	USD and other	Total
Assets				
Cash	74,166	1,937,759	15	2,011,940
Trade receivables (net)	31,153	47,192	–	78,345
Advance payments made and other current assets	210,235	3,367	–	213,601
Receivables from derivative transactions	269	–	–	269
Securities held for trading at fair value	41,916	–	–	41,916
Securities held to maturity	–	–	–	–
Tangible fixed assets	30,125	–	–	30,125
Intangible fixed assets	297,910	–	–	297,910
Other non-current assets	78	–	–	78
Total assets	**685,852**	**1,988,317**	**15**	**2,674,184**
Liabilities				
Trade payables	14,509	102,513	349	117,371
Taxes and other payables	93,206	1,906,221	–	1,999,427
Current advances received	1,013	–	–	1,013
Short-term bank loans	15,267	–	–	15,267
Provisions	10,365	–	–	10,365
Deferred tax liability	6,172	–	–	6,172
Shareholders’ equity	524,567	–	–	524,567
Total liabilities	**665,100**	**2,008,735**	**349**	**2,674,184**
Net currency position as at 31 December 2011	**20,752**	**(20,417)**	**(334)**	**–**

The open currency position relating to trade receivables and payables is partially hedged by currency derivatives.

The following table shows the currency position of the Group as at 31 December 2010:

(in CZK thousand)

	CZK	EUR	USD and other	Total
Assets				
Cash	367,344	1,977,603	24	2,344,970
Trade receivables (net)	39,829	42,595	–	82,424
Advance payments made and other current assets	35,238	11,283	–	46,521
Securities held for trading at fair value	43,481	–	–	43,481
Securities held to maturity	37,501	–	–	37,501
Tangible fixed assets	34,278	–	–	34,278
Intangible fixed assets	247,565	–	–	247,565
Other non-current assets	5,087	–	–	5,087
Total assets	**810,323**	**2,031,481**	**24**	**2,841,827**
Liabilities				
Trade payables	9,910	112,618	40	122,567
Taxes and other payables	356,241	1,879,294	–	2,235,535
Current advances received	5,601	27	–	5,628
Provisions	6,898	–	–	6,898
Deferred tax liability	2,116	–	–	2,116
Shareholders' equity	469,083	–	–	469,083
Total liabilities	**849,849**	**1,991,939**	**40**	**2,841,827**
Net currency position as at 31 December 2010	**(39,526)**	**39,542**	**(16)**	**–**

Interest rate risk

The Group is exposed to the market risk of interest rate fluctuations, which affect the fair value of securities in the portfolio of securities assessed at a fair value through profit or loss.

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 re-price to a market rate of interest before maturity, the next re-pricing date. Assets and liabilities that are not interest-bearing are grouped in the "Undefined" category.

Interest rate sensitivity analysis

The Group considers the impact of a change in market interest rates on the value of assets and liabilities denominated in any currency and recognized in the Group's statement of financial position as immaterial. This is due to low interest sensitivity of these assets and liabilities.

Interest rate sensitivity as at 31 December 2011

(in CZK thousand)

	Up to 3 months	3 months to 1 year	1 to 5 years	Not specified	Total
Assets					
Cash	2,011,940	–	–	–	2,011,940
Trade receivables	–	–	–	78,345	78,345
Advance payments made and other current assets	–	–	–	213,870	213,870
Securities held for trading at fair value	41,916	–	–	–	41,916
Securities held to maturity	–	–	–	–	–
Tangible fixed assets	–	–	–	30,125	30,125
Intangible fixed assets	–	–	–	297,910	297,910
Other non-current assets	–	–	–	78	78
Deferred tax asset	–	–	–	–	–
Total assets	**2,053,856**	**–**	**–**	**620,328**	**2,674,184**
Liabilities					
Trade payables	117,372	–	–	–	117,372
Taxes and other payables	1,933,743	–	–	65,685	1,999,428
Current advances received	–	–	–	1,013	1,013
Short-term bank loans	1,934	13,333	–	–	15,267
Provisions	–	–	–	10,365	10,365
Deferred tax liability	–	–	–	6,172	6,172
Shareholders' equity	–	–	–	524,567	524,567
Total liabilities and equity	**2,053,049**	**13,333**	**–**	**607,802**	**2,674,184**
Net interest risk as at 31 December 2010	**807**	**(13,333)**	**–**	**12,526**	**–**

Interest rate sensitivity as at 31 December 2010

(in CZK thousand)

	Up to 3 months	3 months to 1 year	1 to 5 years	Not specified	Total
Assets					
Cash	2,344,970	–	–	–	2,344,970
Trade receivables	–	–	–	82,424	82,424
Advance payments made and other current assets	–	–	–	46,521	46,521
Securities held for trading at fair value	43,481	–	–	–	43,481
Securities held to maturity	37,501	–	–	–	37,501
Tangible fixed assets	–	–	–	34,278	34,278
Intangible fixed assets	–	–	–	247,565	247,565
Other non-current assets	–	–	–	5,087	5,087
Deferred tax asset	–	–	–	–	–
Total assets	**2,425,952**	**–**	**–**	**415,875**	**2,841,827**
Liabilities					
Trade payables	122,567	–	–	–	122,567
Taxes and other payables	1,870,329	–	–	365,206	2,235,535
Current advances received	–	–	–	5,628	5,628
Provisions	–	–	–	6,898	6,898
Deferred tax liability	–	–	–	2,116	2,116
Shareholders’ equity	–	–	–	469,083	469,083
Total liabilities and equity	**1,992,897**	**–**	**–**	**848,931**	**2,841,827**
Net interest risk as at 31 December 2010	**433,056**	**–**	**–**	**(433,056)**	**–**

35. FAIR VALUE LEVELS

The following table analyses financial assets reported in fair value according to quality of inputs used for the valuation:

(in CZK thousand)

Financial assets 2011	Level 1	Level 2	Level 3	Total
Securities held for trading Debt securities	–	41,816	–	41,816
Other current assets Positive fair value of derivatives	–	269	–	269

Financial assets 2010	Level 1	Level 2	Level 3	Total
Securities held for trading Debt securities	–	43,481	–	43,481
Other current assets Positive fair value of derivatives	–	–	–	–

In 2011 or 2010 there was no movement between the levels.

36. CAPITAL MAINTENANCE

Individual items included in equity are presented in the Statement of changes in equity.

The capital management objectives of the Group are as follows:

- to be in compliance with the laws of the Czech Republic;
- to ensure the ability of the Group to meet the conditions of a going concern so as to generate profit from the investments of shareholders and in favour of stakeholders;
- to maintain a strong capital position that would help to develop the business.

The primary business objective of the Group is to ensure smooth execution of exchange trades and their settlement. For the purposes of effective settlement and reducing credit risk (settlement risk), the Group accepts financial contributions from the market participants to the Stock Exchange Guarantee Fund, Collateral Fund and Margin Deposits of the commodity exchange and fees for services provided. Financial resources in the above-mentioned funds and own free financial resources are reinvested in highly credible short-term highly liquid securities in order to increase their value or to support the extension of the Group's business activities, such as the successful takeover and commencement of central securities depository activities in July 2010.

The dividend policy is the main tool for management of the capital level.

The planned dividend for 2011 for the Group shareholders amounts to TCZK 111,656.

37. RELATED PARTIES

Effective from 8 December 2008, CEESEG Aktiengesellschaft (former Wiener Börse, AG) became the majority shareholder of the Group.

As at 31 December 2011, the Group has revenues amounting to TCZK 1,792 (2010: TCZK 480) from CEESEG Aktiengesellschaft based on the Cooperation agreement related to the sale of information, effective from 1 October 2009.

38. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with less than three months maturity from the date of acquisition.

(in CZK thousand)

	2011	2010
Cash and balances with banks (Note 6)	2,011,940	2,344,970
Depository bills of exchange (Note 9)	–	37,501
Total	**2,011,940**	**2,382,471**

39. SUBSEQUENT EVENTS

In the Group there have been no events since the balance sheet date that would have a material impact on the financial statements as at 31 December 2011.

Prague, 13 March 2012

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