

PRAGUE STOCK EXCHANGE

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ANNUAL REPORT 1999



BURZA
CENNYCH PAPIRŮ PRAHA

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1 COMPANY PROFILE

THE PRAGUE STOCK EXCHANGE (IN CZECH, BURZA CENNÝCH PAPIRŮ PRAHA, A.S.) IS THE MOST IMPORTANT SECURITIES MARKET ORGANISER IN THE CZECH REPUBLIC. IT IS BASED ON THE MEMBERSHIP PRINCIPLE, WHICH MEANS THAT ALL TRADES ON THE EXCHANGE ARE CLOSED THROUGH ITS MEMBERS.

THE EXCHANGE IS AN IMPORTANT INSTRUMENT OF MARKET RECTIFICATION OF THE MOVEMENT OF AVAILABLE FINANCIAL RESOURCES AND, AS A MARKET REGULATOR, IT FACILITATES THE FLOW OF EXCESS CAPITAL TO EXACTLY WHERE IT IS MOST IN DEMAND FROM THE ECONOMIC POINT OF VIEW.

THE EXCHANGE PUBLISHES THE RESULTS OF TRADING IN THE DAILY PRESS, ON THE INTERNET AND THROUGH INFORMATION AGENCIES. SINCE FEBRUARY 2000 IT HAS BEEN PUBLISHING THE REAL VALUES OF THE PX 50 AND PX-D INDICES, PRELIMINARY TRADING RESULTS, DETAILED INFORMATION ABOUT ISSUERS AND ISSUES ON PRESTIGIOUS MARKETS AND A GREAT DEAL OF OTHER INFORMATION ABOUT THE CAPITAL MARKET ON ITS OWN INTERNET WEBSITE.

THE EXCHANGE ALSO PROVIDES EDUCATIONAL AND CONSULTANCY SERVICES FOR THOSE INVOLVED IN THE CAPITAL MARKET.

KEY EVENTS IN THE EXCHANGE'S HISTORY

24 November 1992	Inception of the Prague Stock Exchange
6 April 1993	Opening of trading with 7 securities issues
22 June 1993	Introduction onto the Exchange's market of 622 issues of shares from the 1st wave of coupon privatisation
13 July 1993	Introduction onto the Exchange's market of 333 issues of shares from the 1st wave of coupon privatisation
5 April 1994	Opening of calculation of the Exchange's official PX 50 Index
1 March 1995	Introduction of 674 issues of shares from the 2nd wave of coupon privatisation
6 April 1995	Introduction of the PX-GLOB and PXL summary indices and 19 sector indices
1 September 1995	Introduction of the new division of the Exchange's markets into Main and Secondary markets (originally the listed market) and the Free market (originally the unlisted market)
15 March 1996	Opening of trading in the KOBOS system (continuous trading at variable price) with 5 share issues and 2 bond issues
1997	Withdrawal of 1,301 illiquid share issues from the Exchange's Free market
5 January 1998	Transfer of 35 companies from the Main to the Secondary market because of their failure to meet the required level of liquidity on the central market
25 May 1998	Opening of trading in the SPAD system (a System for Support of the Share and Bond Market)
4 January 1999	Introduction of the new continuously calculated PX-D Index Opening of continual calculation of PX 50
20 September 1999	Withdrawal of 75 share issues from the Free market
12 November 1999	Securities Commission confirms that the Prague Stock Exchange is authorised to organise securities trading

❶ Věslav Michalík (member of the Exchange Chamber)

❷ George Jedlička (Vice-Chairman of the Exchange Chamber)

❸ Jan Sýkora (member of the Exchange Chamber)

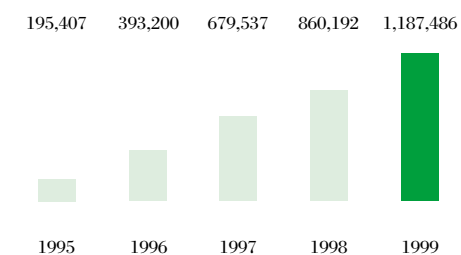
2 SELECTED INDICATORS

BASIC TRADING DATA AT 31 DECEMBER

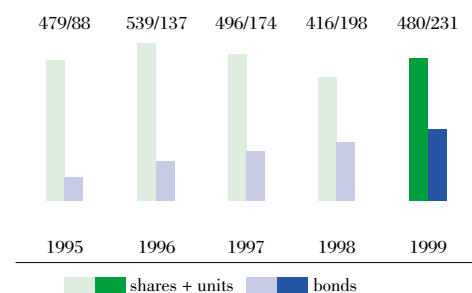
	1999	1998	1997	1996	1995
Total value of trades (in CZK m)	1,187,486	860,192	679,537	393,200	195,407
Average daily value of trades (in CZK m)	4,675	3,427	2,718	1,579	835
PX 50 Index	489.7	394.2	495.3	539.6	425.9
PX-D Index	1,296.7	996.4	1,235.0	-	-
Market capitalisation of shares and units (in CZK m)	479,650	416,202	495,681	539,242	478,634
Total value of trades in shares and units (in CZK m)	163,457	172,594	246,301	249,935	125,643
CM share of trades in shares and units (in %)	87.0	41.7	8.9	11.5	17.4
No. of issues of shares and units on the Main market	8	10	45	44	62
No. of issues of shares and units on the Secondary market	81	96	58	52	6
No. of issues of shares and units on the Free market	106	198	217	1,574	1,648
Market capitalisation of bonds (in CZK m)	231,116	198,107	174,005	136,918	87,832
Total value of trades in bonds (in CZK m)	1,024,029	687,598	433,236	143,264	69,764
No. of bond issues on the Main market	30	33	33	26	20
No. of bond issues on the Secondary market	3	3	2	1	0
No. of bond issues on the Free market	62	62	57	53	28
Share of the Exchange and UNIVYC, a.s. in the value of trades and transfers in the Czech Republic (in %)	89.4	84.6	64.6	34.1	43.8

units = trust units, CM = central market

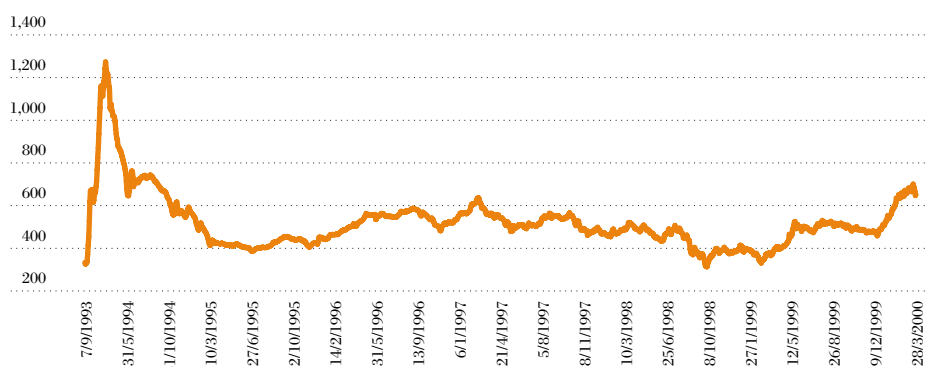
TOTAL VALUE OF TRADES (IN CZK M)



MARKET CAPITALISATION OF SHARES + UNITS AND BONDS (IN CZK BN)



TRENDS IN PX 50 (7 SEPTEMBER 1993 - 31 MARCH 2000)





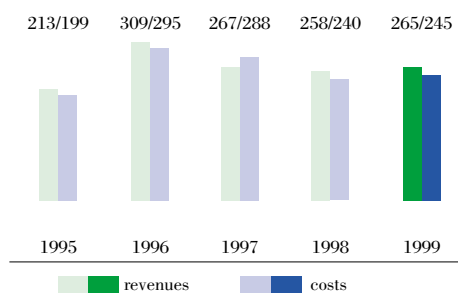
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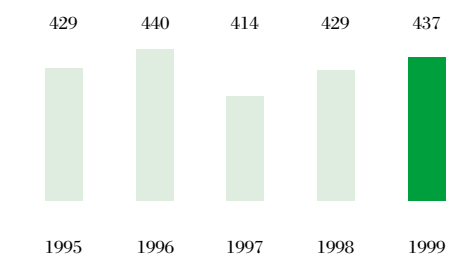
FINANCIAL DATA OF THE PRAGUE STOCK EXCHANGE (IN CZK M)

	1999	1998	1997	1996	1995
Revenues	265	258	267	309	213
Costs	245	240	288	295	199
Profit before taxation	20	18	-21	14	14
Profit after taxation	11	14	-25	12	6
Shareholders' equity	437	429	414	440	429

REVENUES AND COSTS (IN CZK M)



SHAREHOLDERS' EQUITY (IN CZK M)



of Česká spořitelna, a.s. (the Czech Savings Bank) and elected two new members, Miroslav Fučík of the Union Bank and Jan Sýkora of Wood & Company, s.r.o.

12 JUNE

Tests confirming that the transition to the year 2000 would be without problems were successfully completed. Apart from the Exchange and UNIVYC, a.s., 33 Exchange members, most of the members of UNIVYC, a.s., the designers of trading modules used by Exchange members and information agencies took part in the tests.

**WITH EFFECT
FROM 28 JUNE**

The Exchange Chamber approved changes to two regulations. The new version of Requirements for Admission of a Security to Trading at the Exchange extends the issuer's disclosure obligations. The new version of Requirements for Registration of a Security for Trading on the Exchange's Free market amends the criteria for cancelling a security's Free market registration.

**WITH EFFECT
FROM 30 AUGUST**

The Exchange Committee on Exchange Trades introduced stricter rules for SPAD trading: the allowable spread for the opening phase (from 2% to 0.5%) and the maximum admissible period between closing a deal and its confirmation (reduced from 10 to 5 minutes).

**AS AT
20 SEPTEMBER**

On the basis of a recommendation by the Exchange Committee on Exchange Trades, the Exchange's General Secretary withdrew 75 issues from the Free market. They had been withdrawn from the central market on 15 February 1999.

30 SEPTEMBER

An Extraordinary General Meeting of the Prague Stock Exchange approved new version of the Exchange's basic regulations: Articles of Association, the Rules of the PSE and the Exchange Regulations. The Exchange Regulations now include a new part Block Trades (with postponed effectiveness) and amended Requirements for Admission of a Security to Trading at the Exchange, which came into force on 1 January 2000 and Conditions for Admission of a Security to Trading at the Exchange on a New market, effective from 30 September 1999.

The Extraordinary General Meeting also approved cooption of a new member of the Exchange Chamber, Věslav Michalík, a member of the Board of Directors of CA IB Securities, a.s.

The Exchange Chamber named one of its members, Jan Sýkora, as Chairman of the Exchange Committee on Exchange Trades. The previous Chairman of the Committee, Petr Budinský, had asked the Exchange Chamber to release him from the post because of his other work commitments.

3 NOVEMBER

The IPB share issue was placed into the SPAD trading segment, the segment's ninth issue.

12 NOVEMBER

The Securities Commission issued a decision confirming that the Prague Stock Exchange is authorised to organise securities trading.

The Exchange Listing Committee approved an application by EPIC Securities, a.s. to act as the patron of a company wanting to enter a New market by guaranteeing the new issue's quality. EPIC Securities, a.s. became the first company to be listed in the Exchange's register of patrons.

20 DECEMBER

The IPB share issue was included in the PX-D Index base, increasing the number of issues in its base to eight.

**WITH EFFECT
FROM
1 JANUARY 2000**

The Exchange Chamber approved the Tariffs of Exchange Fees for the year 2000. They included the following changes:

- the annual fee for securities trading on the Secondary market was reduced from CZK 120,000 to CZK 85,000
- the one-time fee for registration of securities on the Exchange's Free market, except for units of open-end trusts, was raised from CZK 10,000 to CZK 30,000
- fees for using the Exchange's communications system were raised by approximately 5%.



INTRODUCTION

1999 saw an upturn in the Czech economy, and the Czech Republic's main economic indicators began to move into the black. One of the important factors in this change was an increase in foreign investment and an acceleration of bank privatisation. These tendencies to growth were also apparent on the capital market and reflected in the Main market indicators.

For the Czech capital market 1999 was above all a period of preparing for fundamental legislative changes. Work began on amendments to legislation on securities, the stock exchange and bonds and an amendment to the Commercial Code which should bring the Czech capital market closer to the standards of European markets. The main positive features of these amendments is that they protect minority shareholders, remove obstacles to a company using cheaper capital market sources to finance future growth, consolidate supervision of those participating in the capital market, increase the authority of the stock exchange bodies and define the principles

whereby securities can be managed more transparently. The amendments which have been prepared mean that we are closer to an environment in which those active on the capital market enjoy conditions comparable with those on foreign markets.

The Exchange also became involved in preparing these norms and, in line with Czech legislative changes, amended its own rules and regulations so that they correspond to the standards of advanced capital markets and the recommendations of the World Federation of Stock Exchanges. The aim of the changes in the Exchange's rules was to standardise the capital market's environment in relation to both members of the Exchange and issuers. Increased demands on participants in the capital market and the strengthening of the Exchange's control mechanisms are at the heart of the amendments to the Exchange's rules. In relation to members of the Exchange, stricter general conditions of membership were imposed, especially from the standpoint of the company's financial stability. The new listing rules extend the Exchange's right to information from issuers on prestigious markets, during both the process of acceptance and the trading of issues. That checks have been carried out to ensure that all relevant information has been supplied to the Exchange is clear from the consistent imposition of sanctions for violations of the Exchange's rules.

In 1999, the Securities Commission completed the licensing of all participants in the market in line with the process of European standardisation. There was a "purging" of the market by a reduction in the number of entities, which helped to strengthen transparency and increase the confidence of investors in the Czech capital market. The Commission's aim is to involve the Czech capital market in world financial markets by creating a standard and secure investment environment.

During the licensing process, the Exchange respected the Commission's conditions and, after meeting its exacting requirements, which go well beyond those of Czech legislation and are based on European Union guidelines and recommendations and the recommendations of the World Federation of Stock Exchanges, on November 12 the Commission confirmed the Exchange's licence to organise securities trading. In compliance with the Commission's stipulations, which were directed especially towards extending the role of inspection and listing, the Exchange began strengthening its bodies at technical and staffing level.

BY THE CHAIRMAN OF THE EXCHANGE CHAMBER



The widening of cooperation with the Commission became an important part of the Exchange's strategic development, mainly in relation to the activities of the inspection body, whose effectiveness is gradually increasing with the strengthening of its authority vis-à-vis the members of the Exchange, improvements in its methods and procedures and the introduction of automatised checking of trading transactions and documentation.


The results of trading in 1999 confirmed the importance of the introduction of the SPAD trading segment, which led to a doubling of the value of pricing trades against 1998. The interest of foreign investors and the first steps in the opening of investment and unit trust funds stimulated the trend towards growth, which was reflected in rising values on the share indices. The positive effect on the economy became apparent in the first quarter of 2000, when the Main market indicators reached record levels.

In 1999, the Exchange continued to standardise its operations. This was reflected, on the one hand, in legislation on the Exchange and, on the other, in the preparation of new projects. The aim of these is to make securities trading and settlement more comfortable, to create a secure and simple system comparable with the systems on advanced foreign exchanges, and to facilitate trading in the issues of smaller and medium-size companies through a "New market". By creating conditions for the opening of a "New market" designed for dynamic companies with a short history, the Exchange cleared the way for them to acquire financial resources on the capital market.

The Exchange is committed to the policy of openness towards the investing public which it began in preceding years. With the agreement of the Exchange's members, it has started to publish overall quarterly figures on the value of trades by members.

In the area of foreign relations, the convening of a meeting of representatives of Central European exchanges - Warsaw, Budapest, Ljubljana, Bratislava and Prague - was the most important of the Exchange's initiatives. The representatives of these exchanges agreed on a common approach to bring the rules on membership, listing, organisation and exchange supervision into line with the standards of the EU. In connection with the Czech Republic's future accession to the European Union, the efforts of the Prague Stock Exchange to join the alliances which are gradually emerging as part of globalisation of the European capital market were intensified.

The capital market and the state of management operate like communicating vessels. That is why harmonisation of Czech legislation with the standards of advanced European markets and the creation of an economic climate acceptable to the foreign investor are so very important for the further development of the Czech capital market. The healthy functioning of the economy requires privatisation of the banks and telecommunications and energy companies, as well as extensive restructuring and institutional changes in the Czech economy. The process of making these changes, which have a positive effect on growth in the Czech economy, has already begun. Changes on the Czech capital market are helping to increase the market's transparency, and they strengthen the confidence of investors and, along with the trend to growth in the Czech economy, allow our market to increasingly approach EU standards.


Petr Budinský

INTERVIEW WITH THE GENERAL 5 PAVEL HOLLMANN

FOR THE EXCHANGE 1999 WAS A YEAR OF INTENSIVE PREPARATIONS FOR NEW PROJECTS AND CONTINUED EFFORTS TO CREATE THE STANDARD ENVIRONMENT WHICH IS REQUIRED TO INCREASE THE CZECH CAPITAL MARKET'S TRANSPARENCY. STANDARDS ON THE EXCHANGE BECAME CLOSER TO THOSE ON EUROPEAN MARKETS, WHICH IS SHOWN BY THE GROWING CONFIDENCE OF FOREIGN INVESTORS.

WORK BEGAN ON LEGISLATIVE CHANGES AFFECTING THE CZECH CAPITAL MARKET. THE EXCHANGE PLAYED A MAJOR PART IN PREPARING AMENDMENTS TO THESE LAWS AND CREATED CONDITIONS ENABLING HARMONISATION OF ITS OWN RULES WITH THE STANDARDS EXISTING ON THE EUROPEAN UNION'S CAPITAL MARKETS.

How did the Exchange help to amend capital market legislation?

It sent suggestions to the Ministry of Finance for changes in the Stock Exchange Act, along with comments on draft amendments to the Securities Act, the Commercial Code and the Bonds Act which were aimed at bringing the Czech capital environment into line with conditions on the European markets.

What did these comments relate to?

The Exchange's main proposals concerned the Stock Exchange Act, mainly more exact definitions of what constitutes an exchange trade and of the Exchange's status and additional and extended powers for the Exchange Chamber and the General Secretary, so as to enable increased flexibility in the Exchange's management, faster and smoother implementation of changes in the Exchange's regulations, and greater decision making powers in the case of unusual events on the market. Comments on other amendments to laws relating to the capital market were aimed in the main at promoting development of companies through financing from the capital market (shorter time-limits for registration courts when increasing a company's registered capital), defining the precise moment when settlements become irrevocable and introduction of a "custodian" service.

Were there any changes in the Exchange's rules and regulations in 1999?

There were major changes, intended to increase the transparency of transactions on the Exchange in line with European standards and the recommendations of the World Federation of Exchanges by making greater demands on participants in the capital market. The Exchange carried out important changes in its existing regulations and reorganised the Exchange rules. Regulations relating to membership, admission of securities for trading, trading segments, inspection and settlement were included in the Exchange Regulations. The Articles of Association, Rules of the PSE, Tariffs of Exchange Fees and regulations dealing with the problem of the Exchange's Guarantee Fund remained as separate regulations.

Which regulations make greater demands on participants in the Exchange's market?

The new version of the Exchange Membership Regulations introduces stricter general conditions of membership. Members are obliged to keep a fixed amount of liquid cash resources, and the equity of a non-banking member of the Exchange is fixed at a minimum amount equal to its registered capital. For banking members there is a duty to ensure capital adequacy in line with the Act on Banks.

The Exchange also introduced stricter listing rules. The principles approved extend the duty of issuers to provide information during both admission of securities for the Exchange's markets and the period they are traded on the Exchange. Better checking by the Exchange on whether issuers provide the required information on time, to the required extent and without delay, which can affect the price of an issuer's shares, is reflected in the sanctions consistently imposed in cases of breaches of the Exchange Regulations. In 1999, 16 issuers had sanctions imposed on them, including two cases which led to permanent exclusion from securities trading on the Exchange.

What steps has the Exchange taken to increase transparency on the Exchange's market?

Changes in trading aimed at increasing transparency to a level comparable with EU markets were prepared and implemented, especially in the part of the Exchange Regulations dealing with Block Trades. In standardising direct trades the Exchange Regulations are based on the London Exchange's system. The new principles for trading between two Exchange members are on a par with the rules of advanced markets and support a mechanism for closing trades at prices corresponding to the market situation. The decision of the Exchange Chamber to publish annual information on the holdings of Exchange shareholders who agree with publication also increased the transparency of trading on the

Record trading on the Stock Exchange

Over the past 18 months, the Prague Stock Exchange (PSE) has significantly modernised its trading system and improved inspection activities. Greater transparency and confidence of investors in the capital market were reflected in the highest trading volumes on the PSE so far. Trading in shares on the central market rose as a proportion of overall trading from ca 8% in 1997 to 90% this year

SVĚT HOSPODÁŘSTVÍ - 1 DECEMBER 1999

SECRETARY



Exchange. Apart from this, in April 1999 the Exchange began publishing quarterly figures on the total value of trades closed on the Exchange, which was supported by most of the members, who expressed their agreement with publication of their total trades. This initiative by the Exchange was welcomed by investors, according to reports in the press, and significantly increased the information they receive about members' transactions on the Exchange.

The withdrawal of 75 insufficiently liquid issues from the Free market on 20 September 1999, which followed the exclusion of other illiquid titles in previous years, also helped to increase the transparency of trading on the Exchange.

The Exchange created conditions which enable a “New market” to operate. Can you tell us more about this?

The New market should be an alternative for dynamic young companies which have a viable business plan and want to acquire resources on the capital market to finance growth. In preparing regulations governing the entry of issuers to the New market, we based ourselves on the 1996 international agreement on New markets. An Exchange member, known as

a patron, will guarantee the quality of a company entering the New market. The patron is responsible for the company meeting all the necessary conditions for admission and its preparation for trading on the Exchange. After an issue is launched on the New market, the patron will check that the issuer duly and promptly fulfils his duty to the market to provide information. After the issue, a listing member of the Exchange will operate like a market-maker on the SPAD segment and maintain the issue's required liquidity. The role of the listing member can be played either by the issue's patron or another Exchange member.

What are the main requirements of the Securities Commission for the Exchange's activities?

On 12 November 1999, the Securities Commission confirmed the Prague Stock Exchange's licence to organise securities trading. The main common aim of both institutions is to achieve a level of market transparency which is comparable with that on the European Union markets and the standards of the World Federation of Exchanges, so that investors have greater confidence in this market.

The Commission has put greatest emphasis in its requirement that the Exchange's inspection of both members and issuers is strengthened as part of the Czech capital market's regulatory system.

How has the Exchange's inspection of members been strengthened?

Amendment of the Exchange regulations, especially its Exchange Membership Regulations, has enabled it to raise the level of checks on fulfilment of membership conditions and the duty of members to provide information and to strengthen the authority of its inspection, especially when checking the conduct of members towards clients. In 1999, the Exchange completed the first stage of introducing software to support inspection work, which radically improved the methods and procedure used in analytical monitoring and enables automatic record-keeping and data checks on Exchange members. A fundamental aim in improving our inspection work is, in cooperation with the Securities Commission, to create an effective and efficient system of capital market checks which will promptly signal breaches of duties, especially those prescribed by the Securities Act, the Stock Exchange Act, the Rules of the PSE and Exchange Regulations.

The long-term aim of the Exchange's inspection is to make it possible, in line with changes in the legislative conditions, for the Exchange to become a self-regulating body.

Did more rigorous inspection lead to a significant reduction in the number of the Exchange's members?

In 1999, the Exchange's membership fell by 12 companies. In the vast majority of cases they ended their membership at their own request. The reduction in the number of members, caused in the main by the Securities Commission's review of capital market licences and the greater demands made by the Exchange in terms of the financial situation of companies and their conduct towards clients, helped to stabilise the Exchange's membership base and created safer conditions for investing.

What changes were there in the composition of the Exchange Chamber in 1999?

The 7th Ordinary General Meeting of Shareholders on May 27 approved changes in the Exchange Chamber. Dušan Baran, Chairman of Česká spořitelna, a.s. Board of Directors, was confirmed as a member of the Chamber and it elected two new members, Miroslav Fučík of Union Bank and Jan Sýkora, authorized representative of Wood & Company, s.r.o. The co-option of Věslav Michalík of CA IB Securities, a.s. to membership of the Chamber was approved by the Exchange's Extraordinary General Meeting in September. During the year Jiří Franc, Tomáš Zralý and Tomáš Novák left the Exchange Chamber.

Were any new trading projects implemented?

In 1999, the Exchange completed a project for modernisation of the automatic trading system (MAOS). This created an environment comparable with the securities trading systems on the advanced electronic exchanges. The new system enables a fully automatic flow of all information on trading and settlement in real time from the trader and back again, and at the same time publication of information in real time. One of the most important projects begun in 1999 was the Uniform Order Book, which aims to create a uniform database of instructions for all trading segments. The Uniform Order Book also creates the technological basis for increasing the range of trading system services and implementing new Exchange trading projects.

How are the preparations for derivatives trading progressing?

At the request of traders, the Exchange completed transformation of the original semi-automatic version of derivatives trading into a fully automatic version, which was later tested by 18 parties interested in trading in these investment instruments. In connection with preparation of a fully automatic version of the system, changes were approved in the regulations governing trading in options and term contracts. Trading will be opened when a licence is issued by the Securities Commission for both the Exchange to organise derivatives trading and securities traders to trade in them.

How do you view the development of trading in 1999?

In 1999, almost all the indicators showed growth. The total value of trades reached almost CZK 1,200 billion, which is a 38% increase on 1998. The positive growth of trading on the Exchange was reflected in particular in an increase in the value of pricing trades in shares and units, which rose year-on-year by 97.5%. The main indicators of the price of share issues are the share market indices, which rose in 1999. The Exchange's official PX 50 index closed 1999 at 489.7 points, an improvement on the year of 24.2%. The continuously calculated PX-D index, which the Exchange opened on 4 January 1999 rose year-on-year by 30.1%. These growth trends continued into the first quarter of 2000, when prices rose even more significantly.

And what about the Exchange's financial results in 1999?

The Exchange was able to keep to its planned costs and made a profit in 1999 of almost CZK 11 million after tax. For the first time the Exchange compiled consolidated financial statements for 1999 according to International Accounting Standards (IAS). The Exchange's financial results were therefore presented in line with international practice, although it has to be borne in mind that this was its first compilation of IAS-standard consolidated financial statements and so it cannot include a report on monetary flows for the past three-year period.

What did the Exchange do for the investing public?

In 1999, the Exchange began work on its new web-site, which became available to the investing public on 1 February 2000. These new internet pages are a major turning point in information for the public, since they not only significantly extend the contents of the web-site but also in particular provide trading data in real time. The Exchange's modern web-site is comparable with the internet pages of the advanced foreign exchanges, whose approach is based on transparency and openness to the public.

Do you co-operate with foreign exchanges?

The Exchange built on its initiatives undertaken in this area in 1998. Representatives of five central European exchanges met in March 1999. A contract for co-operation with the London Exchange was drafted which will provide for an exchange of information between the two exchanges on trading and listing and staff expertise. One of the Exchange's main aims in its foreign relations in 2000 remains membership of international organisations - for example, the European Federation of Exchanges.

What are the Exchange's plans for the forthcoming period?

The Exchange will continue to help bring Czech legislation into line with the European Union's legal environment, both through its comments on existing Czech legislation and improvements of its own regulations, especially by harmonising its approach to trading, listing and inspection. Its future development will be significantly affected by the globalisation of capital markets, the date of the Czech Republic's accession to the European Union, and involvement of the Prague Exchange in some of the emerging alliances of European exchanges. At the present time, the Prague Exchange is working hard to strengthen its regional importance. It wants to create a market comparable with the advanced European markets by offering a comfortable trading system and extending the services it offers to traders, while at the same time introducing and extending stricter regulatory mechanisms. The Exchange is also striving to make further use of new approaches and technologies from the area of e-business in its relations with other participants on the capital market, thereby making the Prague Stock Exchange one of the advanced electronic markets.

PROSPECTS FOR FURTHER GROWTH IN 2000



Petr Budinský, Chairman of the PSE's Exchange Chamber, the Exchange's General Secretary Pavel Hollmann and a representative of the London Stock Exchange Ian Salter signed a Memorandum on Mutual Co-operation yesterday. The aim of this five-year agreement which formalises previously informal relations between the two institutions is to foster co-operation between them and to support listing of Czech companies' securities at the LSE. For the Prague Exchange, the agreement may be a significant move towards gradual integration into the global financial market.

HOSPODÁRSKÉ NOVINY, 11 MAY 2000



The Prague Exchange's development in 2000 will be particularly affected by accelerated globalisation of the economy and the consequent far-reaching changes in the organisation and efficiency of organisers of trades on capital markets. Electronic markets will come to the fore throughout the world, with standard demands for the regulation of traders and especially listing procedures. The Prague Exchange has a definite potential advantage in that, since its very inception, it has been all-electronic and, following fundamental modernisation of the trading system's architecture in 1999, it has the prerequisites for keeping up with the new trends and preparing the necessary changes.

The future of the Prague Exchange lies in following the model of the so-called regional exchange, which focuses mainly on one market of national importance but has a real connection to the globalised structures. In the short-term, the Exchange's future consists in maintaining domestic securities through comfortable market services.

The Exchange's indices should also continue to remain the barometer

of the publicly tradeable part of the local economy. In the longer-term, it will be necessary to intensify discussions with representatives of the European alliances of organisers of trades on the capital market.

The Prague Exchange will continue to strive to bring its approaches to trading, listing procedures and inspection up to EU standards. It will develop cooperation with the London Exchange on the basis of an agreement aimed mainly at improving the Prague Exchange's listing procedures and the exchange of information on securities traded at both exchanges. Discussions with the arising alliances of Stock Exchanges in Europe are continuing and are directed in particular to possible involvement in their trading systems.

The results so far of discussions among the five central European exchanges (Bratislava, Budapest, Ljubljana, Prague and Warsaw) signify that joint standardisation of their markets according to EU directives can be an advantageous step forward for each of them in building alliances with the EU capital market.

MEMBERSHIP OF THE EXCHANGE

MEMBERS OF THE EXCHANGE

REDUCTION IN THE NUMBER OF MEMBERS

The continuing trend of increasing demands on member firms and the development of trading on the capital market caused a further fall in the number of the Exchange's members, particularly in the first quarter. Ten companies ended their membership in 1999 and the membership of two companies ceased. In two cases membership was transferred.

At 31 December 1998 the Exchange had 71 members, but 5 companies ended their membership on the same day. The Exchange began 1999 with 66 members and at 31 December 1999 it had 54 members.

STRUCTURE OF SHAREHOLDERS

The structure of the shareholders changed as a result of two transfers of membership, purchase of the shares of Wood & Company and, after a failure to agree with a transfer of shares in the FIO, burzovní společnost, a.s., the purchase of 2,900 of the Exchange's own shares. Overall, there was a transfer of 2.47% of the Exchange's shares.

CHANGES IN MEMBERSHIP IN 1999

Following share transfers, membership was transferred

1 June	from BVV DIVES, a.s. to BÖHM & partner, a.s.
31 July	from ING BARING CAPITAL MARKETS (CR) a.s. to ING. Bank N.V. (an organisational component)

Membership ended at own request

at 11 February	EASTBROKERS, a.s.
at 25 February	PRAUE SECURITIES, s.r.o.
at 28 February	SEVERNÍ BROKERSKÁ Společnost, s.r.o.
at 16 March	TIPAINVESTING, s.r.o.
at 18 March	imAGe 1, a.s.
at 22 March	I.M.C. Burzovní společnost, a.s.
at 30 June	První městská banka, a.s.
at 22 July	BENET GROUP, a.s.
at 21 December	Dynamic Capital Invest, a.s.

Cessation of membership

at 10 February	UNIVERSAL BANKA, a.s.
at 10 November	MORAVIA BANKA, a.s.



INSPECTION OF THE EXCHANGE'S MEMBERS

A necessary prerequisite for raising the confidence of investors in the capital market is ensuring that the conduct of market participants corresponds to the given legal framework of the regulated market. For this reason the Exchange devoted special attention to the thoroughness of its inspection work, the basic priority being to protect the interests of investors by establishing and upholding requirements for trading which are comparable with those on advanced capital markets.

In 1999, the inspection department carried out a total of 47 checks and referred 112 cases of breaches of the Exchange's regulations to Exchange bodies. The Exchange Chamber and the Committee on Membership imposed 33 sanctions for ascertained breaches, and in three of these cases membership of the Exchange was suspended. The shortcomings in the activities of Exchange members related in the main to trading documentation and records of trades, non-adherence to trading rules in the SPAD segment and a related lack of transparency, the handling of clients' assets.

SANCTIONS IMPOSED TO THE EXCHANGE'S MEMBERS DURING 1999

Type of sanction	No. of sanctions
Reprimand	17
CZK 10,000 – 50,000 fine	11
Publishing of the breach of a duty by the Exchange's members	2
Suspended membership	3

During 1999, analytical forms of inspection work aimed at checking selected trades on the basis of continuous monitoring of trading were gradually strengthened. The effectiveness of inspection increased when the inspection procedures were automatized.

At the end of 1999, the first stage of work on new inspection software was completed. The new software enables automatized creation of databases for selected trades and skilled evaluation of the data. It also includes analytical functions for finding situations according to fixed criteria. Use of the new software should lead to an increase in the potential and effectiveness of inspection.

In October 1999, the Exchange Chamber approved a Development Strategy for the Exchange's Inspection Work. Its basic aim, in cooperation with the Securities Commission, is to help create an effective and efficient system for checking the capital market, which will promptly signal violations of duties prescribed in the main by the Securities Act, the Act on the Exchange, the Rules of the PSE and Exchange Regulations. The long-term aim of improving inspection is to create conditions in which it can be handed over to a self-regulating body.

In line with its strategy, the Exchange is aiming to increase the efficiency of inspection by automatic checks whether the membership conditions are being met, automatic checks on trading documentation, improving the quality of the sources of information used in inspection work and creating software which can be used effectively.

8 STRUCTURE OF THE SECURITIES MARKET

IN 1999, SECURITIES WERE TRADED ON THE EXCHANGE IN THREE MARKETS: THE MAIN, THE SECONDARY AND THE FREE MARKETS AND ALSO, WITH EFFECT FROM 30 SEPTEMBER 1999, ON THE NEW MARKET.

MAIN AND SECONDARY MARKETS

Admission of securities on the Main and Secondary markets is decided by the Exchange Listing Committee, which ruled that both of the Exchange's prestigious markets, the Main and the Secondary, are to be treated equally in terms of the admission procedure and the issuer's duty to provide information. The two markets differ only in the value and liquidity of the traded issues. Based on a decision of the Exchange Listing Committee, the average daily value of trades on the central market in any one year must be at a minimum level of CZK 1 million.

During 1999, there was a more significant reduction in the number of issues on the Main and Secondary markets. Trading in a total of 21 share and unit issues and 11 bond issues lapsed. The main reason was the decision of their issuers to end their public tradeability and the continuing trend to open closed unit trust and investment funds.

On the Secondary market in 1999, three share issues and one bond issue were admitted, while on the Main market 4 issues of state bonds, one issue of enterprise bonds and a programme of European Investment Bank bond issues were admitted.

NEW MARKET

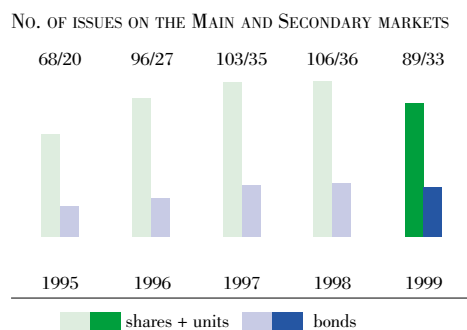
The Exchange's New market is an organic part of the Secondary market. Unlike the existing Main and Secondary markets, the New market is designed especially for small and dynamically developing companies which have high growth potential and are looking for capital for further expansion. Issues of companies which are already traded on the Exchange's Main, Secondary or Free market cannot be accepted on the New market. The Exchange Listing Committee decides on a company's admission to the New market.

FREE MARKET

Registration for the Free market is discussed on the basis of an application submitted by a member of the Exchange. The General Secretary of the Exchange decides whether the application is accepted or not, and the issuer does not assume any liabilities in respect of the Exchange. On registration of securities for the Free market, nor does the Exchange assume any liabilities in respect of these securities, and it is not liable for any damages resulting from a failure to provide information about important facts.

The requirement for registration of an issue on the Exchange's Free market that there be a minimum issue of securities in the value of CZK 50 million was retained in 1999. During 1999, three new share and unit issues and 18 new bond issues were registered on the Free market. Registration of securities issues whose public tradeability was cancelled or which ceased to meet the other conditions fixed in generally binding regulations or the Exchange Regulations was stopped by decision of the General Secretary. 121 securities issues were affected.





CHECKING THE FULFILMENT OF DISCLOSURE OBLIGATIONS

During 1999, the extent to which companies trading on the Main and Secondary markets provided the information required by the Exchange rules was closely monitored. Companies which failed to comply were subject to sanctions. On the basis of a proposal by the Exchange Listing Committee, 16 sanctions were imposed on issuers by the Exchange Chamber, two of which were accompanied by public reprimands.

A fine of CZK 50,000 was imposed on one company, and two companies were excluded from the Secondary market for repeated failure to meet their obligations.

SANCTIONS IMPOSED TO ISSUERS DURING 1999

Type of sanction	No. of sanctions
Non-public reprimand	11
CZK 50,000 fine	1
Public reprimand	2
Permanent exclusion of a security from trading on the Secondary market	2

CHANGES IN THE EXCHANGE'S RULES

During 1999, Exchange bodies set out to create the same environment as exists in advanced capital markets and amend the rules governing acceptance of securities for trading on the Exchange's Main and Secondary markets so that they corresponded to EU guidelines and the listing rules of advanced markets. In an amendment to the Exchange's Requirements for Admission of a Security to Trading at the Exchange, which came into force in 1 January 2000, the duty on companies trading on the Main and Secondary markets to provide information was significantly extended.

NUMBERS OF SECURITIES

At the end of 1999, a total of 290 issues of securities were traded on the Exchange: 38 issues on the Main market (8 share and unit issues and 30 bond issues) and 84 issues on the Secondary market (81 share and unit issues and 3 bond issues). As yet, no issues of securities have been accepted for the New market.

SECURITIES WITHDRAWN IN 1999 FROM TRADING ON THE EXCHANGE'S MAIN AND SECONDARY MARKETS*)

W.e.f.	Issue	Type ¹⁾	Reason for withdrawal
Main market			
25/01/99	ČEZ 14 3/8 /01	CB	early repayment
04/05/99	PLZEŇ 11,50/00	MB	early repayment
10/05/99	SPIF ČESKÝ	S	transformed into an open-end unit trust
25/05/99	ČEZ 10,90/01	CB	early repayment
25/08/99	KB 11,40/01	CB	early repayment
01/09/99	ŠKODA PLZEŇ	S	transferred to the Free market at own request
Secondary market			
04/01/99	ČOKOLÁDOVNY	S	dissolved without liquidation
11/01/99	FATRA	S	liquidated by merger
11/01/99	MORAVSKÉ CHEMICKÉ ZÁVODY	S	liquidated by merger
31/03/99	SAZKA 12,70/01	CB	early repayment
03/05/99	ČKD PRAHA HOLDING	S	transferred to the Free market at own request
08/07/99	MORSLEZS.TEPLÁRNÝ	S	cancelled public tradeability
08/07/99	TEPLÁRNÝ KARVINÁ	S	cancelled public tradeability
02/08/99	ČS. NÁMOŘNÍ PLAVBA	S	transferred to the Free market at own request
01/09/99	KOTVA	S	transferred to Free market - permanently excluded for trading on the Exchange's Secondary market
01/09/99	ZPS ZLÍN	S	transferred to Free market - permanently excluded for trading on the Exchange's Secondary market
01/09/99	KOVHUTĚ BŘIDLIČNÁ	S	transferred to the Free market at own request
01/09/99	CHLUMČAN. KER. ZÁVODY	S	transferred to the Free market at own request
01/09/99	CHEMAPOL GROUP	S	bankruptcy declared
23/09/99	KERAMIKA HOB	S	transferred to the Free market at own request
20/10/99	PEGA	S	cancelled public tradeability
26/10/99	SPIF VÝNOSOVÝ	S	transformed into an open unit trust fund
01/11/99	XAVEROV	S	transferred to the Free market at own request
30/12/99	MSA	S	transferred to the Free market at own request
30/12/99	SEVEROČES. VOD. A KAN.	S	transferred to the Free market at own request
31/12/99	SEVEROČES. TEPLÁRNÝ	S	dissolved without liquidation

SECURITIES INTRODUCED ONTO THE MAIN AND SECONDARY MARKETS IN 1999

W.e.f.	Issue	Type of security ¹⁾
Main market		
08/02/99	ST. DLUHOP. 7,95/04	SB
23/03/99	EIB 8,20/09	BB
07/05/99	ST. DLUHOP. 6,80/01	SB
06/08/99	ST. DLUHOP. 7,30/04	SB
09/08/99	ČEZ 8,75/04	CB
05/11/99	ST. DLUHOP. 6,50/01	SB
Secondary market		
21/01/99	ZLATÝ IF KVANTO	S
30/03/99	CZECHIRES 8,25/09	CB
08/07/99	SEVEROČ. PLYNÁREN.	S
19/07/99	ALIACHEM	S

*) The review does not include bonds paid on due date

¹⁾ S = shares, CB = corporate bonds, BB = banking bonds, SB = state bonds, MB = municipal bonds

INFORMATION AND TRADING SYSTEM 9

Work continued in 1999 on further stabilisation of the Exchange's trading and information systems. The main effort was directed towards preparation of the Exchange's systems for the transition to 2000, a full changeover to a modernised trading system (MAOS), completion of automatization of derivatives trading, achieving secure communications with the Securities Centre (SC), solving the first stage of software for supporting the Exchange's inspection work, preparing and testing extensive changes to the trading system as part of the Uniform Order Book project, preparing a new information system based on the worldwide web and the FTP server and a number of other projects.

The Exchange devoted considerable attention to the Y2K. All problems associated with this were resolved through extensive testing and adjustment or replacement of individual systems and applications. After stringent tests, the Exchange and its members announced on 30 June 1999 that they were ready for the transition. The problem-free transition to the year 2000 confirmed that the efforts made by the Exchange had paid off.

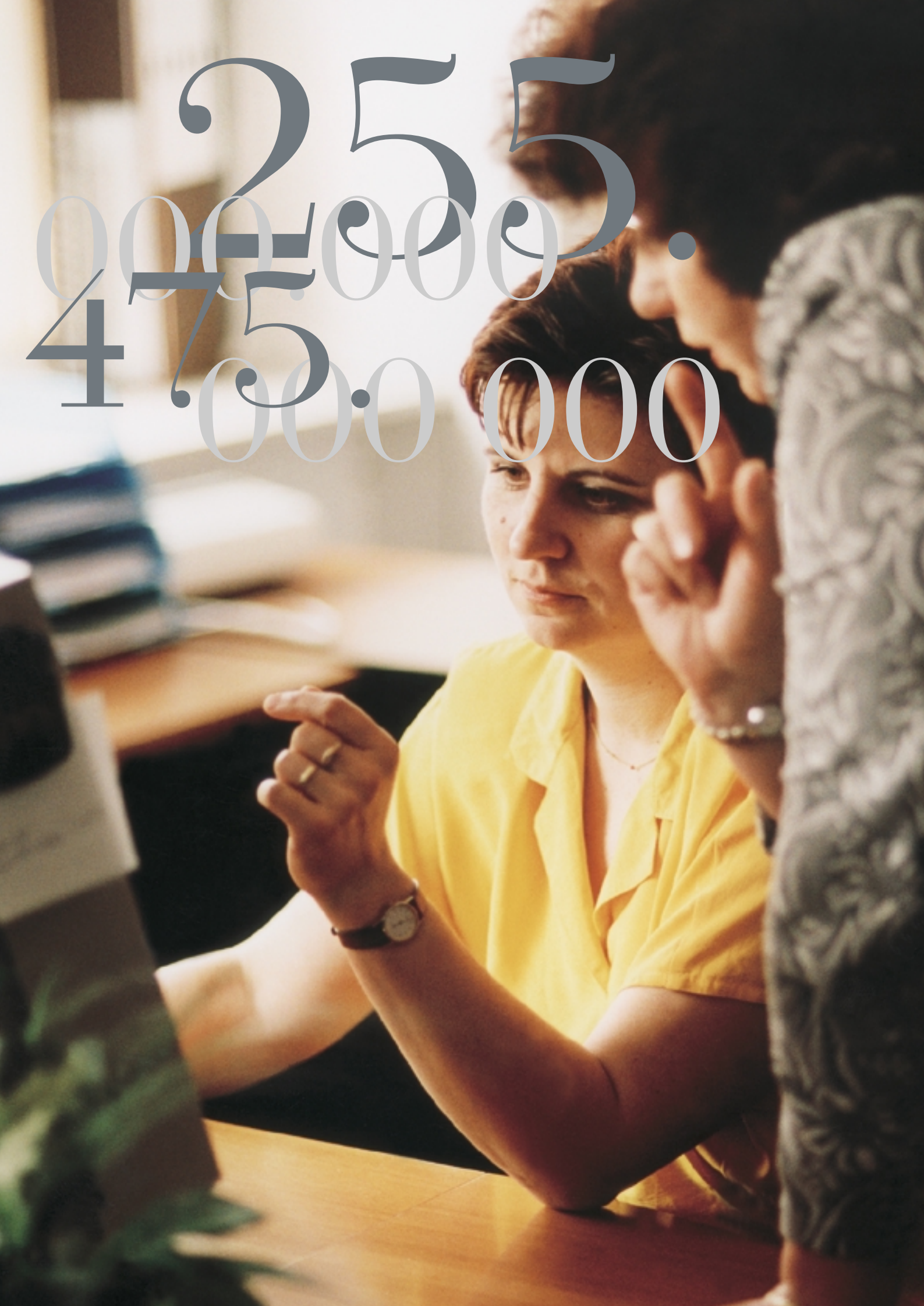
In 1999, as in previous years, work continued on completing the MAOS system and transferring all trading functions to this modern environment. The result was that the original membership system based on terminal emulations was ended in July 1999. Since then, members of the Exchange have been using only new graphic Microsoft Windows applications.

As part of the MAOS system, a Unified Order Book project was developed. Its aim is to further unify the trading system and bring it closer to the customary practices on advanced capital markets. The project allows optional combination of various trading strategies - auctions, continual price-driven or order-driven trading - and the placing of orders (except on the Free market) during the whole of the trading day without interruption. This project, which will be completed in the year 2000, greatly accelerates modernisation of the Exchange's trading system.

In 1999, the originally prepared semi-manual derivatives trading system based on telephone connection with traders and ordering on the Exchange, was replaced by an automatic trading system which will make full use of the architecture of the MAOS system. Traders can now communicate with the Exchange through their computers and applications.

The Exchange also devoted considerable effort to solving the problem of secure and reliable communications with the Securities Centre. A project developed in cooperation with PVT, a.s. allowed introduction of the most modern methods of securing data based on the EDI protocol for authenticating users and a digital signature, including the encoding of data.

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CHANGES IN TRADING IN 1999

Trading on the Exchange in 1999 was not subject to any substantial changes which significantly affected it. But some new projects, which will be completed in the year 2000, were begun. These aim to bring the Exchange's operations into line with the standards of advanced capital markets. With effect from August 30, the Exchange introduced stricter parameters for SPAD trading. The parameters prescribed for the opened phase of SPAD reduced the allowable spread from 2% to 0.5% and the maximum admissible period between the closing and confirmation of a trade was reduced from 10 to 5 minutes. On 3 November, the IPB share issue became the ninth to be placed in the SPAD segment, and at the end of the year 8 members of the Exchange were acting as market makers.

TRADING SEGMENTS

In 1999, the Exchange provided a total of 254 days of problem-free trading for its members. In comparison with previous years, there was a further increase in the reliability and smooth operation of the trading system.

It was possible in 1999 to close prompt trades on the Exchange in the following segments: SPAD - a support system for the share and bond market, fixed price trading ("fixing"), continuous trading at variable prices (KOBOS), continuous trading at fixed prices (additional orders), direct trades in blocks of securities awaiting standardisation in the year 2000.

EXCHANGE INDICES

Since the beginning of 1999, the main Exchange index PX 50 has been calculated continuously throughout the opened phase of the SPAD trading segment from 9.30 a.m. to 4 p.m. The index's values are published at intervals of 5 minutes. During 1999, 6 base issues in the PX 50 base were replaced, 3 of them outside the time-limits for periodical updating, which was caused by the withdrawal of issues from the Exchange's Main or Secondary markets.

Calculation of the new PX-D index, which will be the underlying asset in derivatives trading, was begun on 4 January 1999. The index is calculated continuously in the opened phase of the SPAD segment from 9.30 a.m. to 4 p.m. and its values are published at one minute intervals. The index monitors the prices of the most liquid issues, and its base can include only issues of non-fund shares traded in the SPAD segment on the Main and Secondary markets. The share of the base issues in pricing trades in 1999 exceeded 90%. At the end of 1999, the base of the index was formed by 8 issues, the original seven issues (České radiokomunikace, Česká spořitelna, ČEZ, IPS Praha, Komerční banka, SPT Telecom and Unipetrol) plus the IPB issue on 20 December 1999.

In 1999, the number of sector indices was reduced. The BI01 agricultural index was closed on 15 February 1999 because of the lack of base issues. On 1 March 2000, the BI02 food index was closed for the same reason.

ASSESSMENT OF THE 1999 TRADING RESULTS

The total annual value of trades reached the record level of CZK 1,187.5 billion, an increase against 1998 of 38%. While the value of bond market trades (CZK 1,024 billion) rose year-on-year by 48.9%, the value of trades on the share and unit market (CZK 163.5 billion) fell by 5.3%. The share of shares and units in the overall value of trades therefore declined from 20.1% in 1998 to 13.8% in 1999. The average total daily value of trades rose year-on-year by 36.4% to CZK 4.675 billion.

THE SHARE AND UNIT MARKET

There was a significant positive development on the pricing central market, where the annual value of trades at CZK 142.2 billion represents a year-on-year rise of 97.5%. The share of the pricing market rose from 41.7% in 1998 to 87% in 1999. The Exchange's official PX 50 index finished the year at 489.7 points, a year-on-year increase of 24.2%. The PX-D index rose year-on-year by 30.1%. The global PX-GLOB index also improved by 22.9%. The biggest rise in prices - 44.3% - was in the sector of Finance and Banking. The Transport and Communications sector, which affects most the cross-section indices, showed a price increase of 25.3%. Although the number of share and unit issues fell year-on-year from 304 (at 30 December 1998) to 195 (at 30 December 1999), market capitalisation rose year-on-year by 15.2%, because of the increase in price levels, and at the end of 1999 reached CZK 479.6 billion.

THE BOND MARKET

At CZK 1,024 billion, banking bonds accounted for 40.1% of the total value of bond trades, with state bonds accounting for 35.8%, corporate bonds for 19.4%, mortgage debentures for 4.2% and municipal bonds for 0.4%. Market capitalisation year-on-year rose by 16.7% from CZK 198.1 billion at the end of 1998 to CZK 231.1 billion at 30 December 1999.

THE TEN MOST TRADED ISSUES OF 1999 (in CZK m)

Rank	Issue	Central market	Including SPAD	Direct trades	Total	Share (%) ¹⁾
1	SPT TELECOM	64,041.0	63,410.3	1,621.0	65,662.0	40.17
2	ČEZ	18,248.5	17,929.9	52.2	18,300.7	11.20
3	KOMERČNÍ BANKA	17,727.4	16,909.8	143.5	17,870.9	10.93
4	UNIPETROL	13,020.5	12,583.3	220.4	13,240.9	8.10
5	ČESKÁ SPOŘITELNA	10,098.6	9,748.7	399.4	10,498.0	6.42
6	Č. RADIOKOMUNIKACE	9,847.4	9,705.6	128.0	9,975.4	6.10
7	RIF	4,404.3	3,809.0	2,112.8	6,517.1	3.99
8	KOMERČNÍ BANKA IF	388.5		2,926.6	3,315.1	2.03
9	SPIF VÝNOSOVÝ	171.2		1,268.1	1,439.4	0.88
10	1. IF ŽIVNOBANKA	178.3		1,090.9	1,269.2	0.78

¹⁾ Share of issue in the total annual value of share and unit trades

TRADING FROM JANUARY TO MARCH 2000

The trends towards growth at the end of 1999 continued into the beginning of the year 2000, when there was one of the most significant revivals in the share and unit market on the Prague Exchange. On March 24, the PX 50 index rose to 691.0 points, the highest level in the Exchange's five-year history. In the first three months of 2000, the PX 50 index rose by an unexpected 31.5%. The PX-D index, monitoring the price of the most liquid issues, showed an even more significant rise of 38.3%, which signals a rise in the price of SPAD trades. The increase in the main indices was accompanied by a significant increase in the value of trades. The average daily value of share and unit trades on the central market in the period from January to March reached CZK 1,688.7 million, which is a 201.6% rise on the average CZK 559.9 million in 1999.

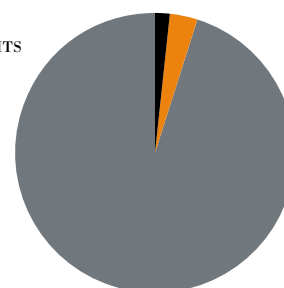
VALUE OF TRADES BY TYPE OF MARKET AND SECURITY

		Bonds		Shares		Units		Total	
		Value (CZK billion)	No. (000)	Value (CZK billion)	No. (000)	Value (CZK billion)	No. (000)	Value (CZK billion)	No. (000)
Main market	CM	0.006	1	128.519	683,657	0.000	0	128.525	683,657
	DT	785.020	84,981	8.099	20,162	0.000	0	793.119	105,142
	Total	785.026	84,981	136.618	703,818	0.000	0	921.644	788,799
Secondary market	CM	0.004	1	12.311	21,952	0.261	897	12.577	22,850
	DT	2.785	126	7.992	30,145	0.981	3,243	11.758	33,514
	Total	2.790	127	20.303	52,097	1.242	4,140	24.335	56,363
Free market	CM	0.015	1	0.580	2,040	0.555	607	1.149	2,649
	DT	236.199	18,684	3.362	7,841	0.798	2,118	240.358	28,643
	Total	236.213	18,685	3.941	9,881	1.352	2,725	241.507	31,291
Total	CM	0.025	3	141.410	707,648	0.816	1,505	142.252	709,156
	DT	1,024.004	103,790	19.452	58,148	1.778	5,360	1,045.234	167,299
	Total	1,024.029	103,793	160.862	765,796	2.595	6,865	1,187.486	876,454

CM = central market, DT = direct trades

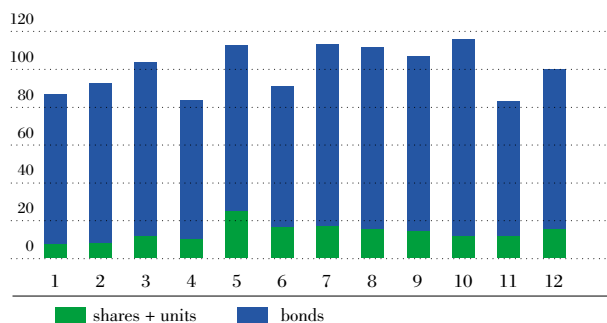
COMPOSITION OF TRADES ON THE CENTRAL MARKET IN 1999 - SHARES AND UNITS

FIXING 1.7%
 KOBOS 3.2%
 SPAD 95.1%





TRENDS IN MONTHLY VALUE OF TRADES IN SHARES + UNITS AND BONDS (CZK BN)



SETTLEMENT

In 1999, Exchange trades were settled for members by its subsidiary UNIVYC, a.s.

During the year, UNIVYC settled a total of 527,000 transfers of securities with a total value of CZK 1,758 billion. Of this, 295,000 transfers worth CZK 829 billion were the result of trades on the Exchange, including direct trades. UNIVYC also settled off-Exchange transactions in the form of 51,000 transfers worth CZK 929 billion.

UNIVYC settles securities trades by issuing payment instructions for financial transfers to the Czech National Bank's Clearing Centre. UNIVYC changes the ownership of book-entered securities by issuing transfer instructions to the Securities Centre. UNIVYC recorded all settlements of transfers of certificated securities in its own records. Certificated securities are deposited in the contractual depository, UNIVYC-Komerční banka, a.s. At the end of 1999, UNIVYC had records of 753 traders' accounts and 4,416 client accounts.

During the year, UNIVYC worked closely with the Exchange, PVT, a.s. and the Securities Centre to create a new communications environment with the Securities Centre. Communication on the EDI base opened in March, and this gave UNIVYC members different, good-quality access to the Securities Centre.

In October 1999, multi-cyclical settlement of trades began, allowing settlement of all linked and incorrectly sequenced trades sent to the Securities Centre. According to the results so far during the second to last round, around 50% of suspended trades have been settled. The average number of suspended trades was thus reduced to 3.6% as a result of the substantial reduction in suspends, especially in the case of unguaranteed Exchange trades and off-Exchange transactions.

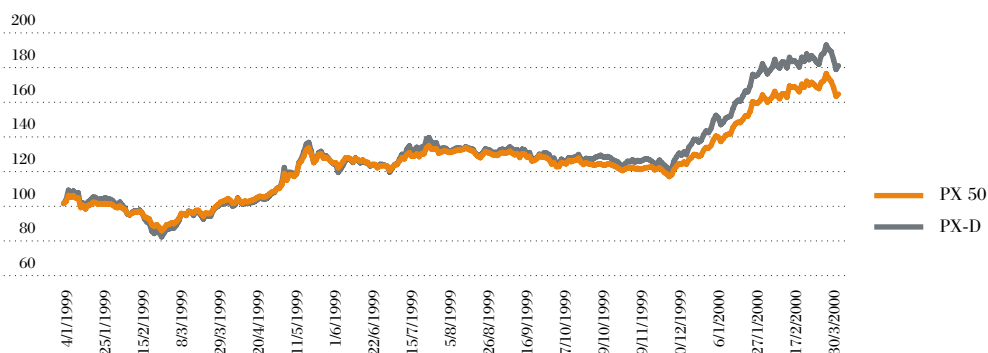
Guarantee resources managed included resources from the Exchange's Guarantee Fund – Fund for the Guarantee of Automatic Trades, the SPAD Guarantee Fund and those provided by market makers or from borrowed securities.

18 borrowers and 7 lenders of ten securities issues had been involved by May in securities loans, mostly issues traded in the SPAD system. In May, the mass collection of deposits from the pool began - mainly because lenders were preparing for an audit in connection with the opening of unit trust funds. Since May 1999 most companies have been unwilling to lend securities. The reason is their lack of interest in holding titles in their portfolio which are in demand and the failure so far of the Czech Republic's Ministry of Finance to decide on a method of accounting for loaned securities. At the end of the year, only 4 titles deposited by 3 lenders remained in the pool, and this is also closely connected with the decline in loans.

During the year, UNIVYC arranged settlement of 11 primary issues, including the European Investment Bank bond issue and it also settled the sale of Czechoslovak Commercial Bank (ČSOB) shares to foreign interests.

In September, with ČSOB acting as its "custodian", it joined the foreign settling centre Clearstream (CEDEL), which enabled it to settle trades in foreign securities, thereby making it possible for them to be traded on the Prague Stock Exchange. The main UNIVYC project in the year 2000 will be to establish direct links with Clearstream.

COMPARISON OF THE PX 50 AND PX-D INDICES (4 JANUARY 1999 = 100%)



11 PROJECTS

IN 1999, THE EXCHANGE LAUNCHED PROJECTS PRINCIPALLY AIMED AT MEETING THE REQUIREMENTS OF ITS INTEGRATION WITH INTERNATIONAL STRUCTURES ON THE BASIS OF GREATER STANDARDISATION. STANDARDISATION OF TRADING LEGISLATION AND PROCEDURES IS BASED ON THE WORLD FEDERATION OF EXCHANGES' MARKET PRINCIPLES AND THE STANDARDS OF EU EXCHANGES. THE EXCHANGE'S MAIN TRADING PROJECTS IN 1999 WERE:

- A UNIFORM ORDER BOOK
- STANDARDISATION OF DIRECT TRADES WITH BLOCKS OF SECURITIES
- THE NEW MARKET

UNIFORM ORDER BOOK

The aim of the Uniform Order Book project is to unify the system of accepting orders and to create a unified orders database for all trading segments of the Exchange's market and the technological base for the realisation of new projects.

With the introduction of a Uniform Order Book, the Exchange's trading system will be flexible and broadly parametered, offering users a wide range of trading procedures like order- and price-driven trading, registration of Exchange members' trades, trading in units of opened unit trusts, support for the placing of primary issues, etc.

STANDARDISATION OF BLOCK TRADES

In an effort to harmonise the Czech exchange market with EU rules, the Exchange amended the method by which two of its members traded with each other (direct trading in blocks of securities) to bring it into line with European rules and practices. This method of trading is based on the same principles as the London Exchange's system. The aim of standardisation is to increase the market's transparency and support a mechanism for closing trades at prices which reflect the situation on the market.

Standardisation of block trades embodies the following principles:

- members are obliged to place the block trade in a prescribed timespan after it has been agreed;
- the Exchange will publish information on closed block trades in real time;
- a minimum size for the block trade will be determined.

NEW MARKET

The main reason for the emergence of the new trading segment known as the New market is not only an attempt to broaden the range of services offered to potential investors but chiefly to enable a company with a short history and a viable business plan to acquire financial resources on the capital market.

As on other prestigious markets, the Exchange Listing Committee will decide whether or not a company is accepted onto the New market. But, unlike other markets, the new company's accession to the market is guaranteed by a patron. The patron is an Exchange member who, on the basis of an approved application, is appointed by the Exchange Listing Committee and responsible for preparing the issuer for the Exchange's New market, continuously verifying all information subsequently provided by the issuer. A so called

listing member of the Exchange provides the necessary market liquidity with the help of its listing, which in practice means that it becomes a market maker. The issue is listed for a period of at least two years, when trading is carried out according to the standard method used in the KOBOS segment, with allowance made for a few minor irregularities.

Chance for the capital market

Young companies with good prospects will get their chance on the New market. Finding funds to develop a company is not easy. When the company is young, with only one year of existence behind it, it is almost impossible. Banks will not lend and venture capitalists consider only projects likely to bring a high return in a very short period. And very few companies can promise that.

Will they survive?

Companies could, however, start trying to raise capital on the Prague Stock Exchange's New market. Similar New markets are running in a number of EU countries. The best known is Marché Nouveau in France and Neue Markt at the Frankfurt Exchange, but they also function in smaller countries like Belgium or the Netherlands. On the Prague Stock Exchange, the idea, which was born several years ago, has become a reality only now. The main reasons for the delay were the poor reputation and inefficiency of the Czech capital market following coupon privatisation. The capital market was not a place for raising or investing money, but rather for exchanging large blocks of shares. Until today, not a single primary issue was placed on the PSE. The New market could break the ice. Companies would enter it voluntarily and with a clear aim - to gain capital for further development.

PROFIT - 6 DECEMBER 1999

INTERNAL AND EXTERNAL RELATIONS



INFORMATION OPENNESS IN 1999

The Exchange regards the philosophy of open communications as one of the fundamental principles of its relations with the public. In 1999, it systematically aimed at continuing and extending this approach.

In January, the Exchange began to provide information about issuers in real time (instead of only once a day as previously). In April it published the holdings of individual shareholders in the Exchange's equity, and in the same month it began publishing data on the quarterly value of individual Exchange member's trades for the first time. By taking these steps, the Exchange tried to strengthen the capital market's operations and create greater transparency.

In 1999, the Exchange organised two press conferences. The March conference informed the media about its efforts to extend cooperation of the five central European exchanges (Bratislava, Budapest, Prague, Ljubljana and Warsaw) in developing trading systems and harmonising the rules on trading, membership, listing and inspection. A second press conference was devoted to basic projects aimed at developing the Prague Exchange. It also organised two presentations at which it made it clear that it was ready to begin trading derivatives in a fully automatic system in real time and that it was possible to trade on the Internet through members of the Stock Exchange.

Every month, the Exchange issues monthly statistics in both printed and electronic form to keep the public informed about trading in individual market segments. Regular communication with the public allows the Exchange to supplement the official press releases (67 of which were released in 1999) which provide up to date news of events at the Exchange.

CHANGES IN THE DISSEMINATION OF EXCHANGE INFORMATION

1999 brought important changes in the electronic dissemination of the Exchange information. The Exchange began to prepare new Internet pages and these became available to the investing public on 1 February 2000. The new website pages signify not only a change of image and or an attempt to provide an additional outlet for statistical data, they also significantly broaden the data's structure. The most important contribution made by the new Internet pages is that they publish the PX 50 and PX-D indices in real time and, the continuous results of trading, along with detailed information on issues and issuers on the Main and Secondary markets. The static pages are supplemented by a Guide for the Issuer and the Investor, which explains the opportunities for trading on the Exchange, both as an investor and as an issuer. The English version has been significantly enlarged, and it has the same number of pages as the Czech version. The value of the new website was apparent in the first weeks after its opening, when there was a significant increase in the number of visitors to the site. This new concept of trading information dissemination for participants in the capital market ranked the Prague Exchange among the most advanced exchanges in terms of trading information provided on the Internet.

Selling information about the Exchange to both end-users and information agencies is an independent activity provided as part of the Exchange's marketing. Since January 1999 there has been a widening of on-line information services for information agencies. In the case of the KOBOS and SPAD segments the information about the market's depth was included. This ensured that members of the Exchange and information agencies would enjoy the same status.

As a result of development of the Internet, the services of BBS were terminated on 30 June 1999. It was used mainly by end-consumers wanting information about the Exchange. The BBS's role was taken over by the FTP service operated by the Exchange's Internet server.

FOREIGN RELATIONS

Among the Exchange's priorities in 1999 was the aim of involving itself in the processes of European and global integration. The Exchange intensified its efforts to become an associate member of the European Federation of Exchanges (FESE) and a member of the International Federation of Exchanges (FIBV). At the present time detailed written documents about the Exchange are being evaluated, which is the last step before our acceptance into these organisations.

The Exchange is very actively involved in the group of central European exchanges, which also includes the Bratislava, Budapest, Ljubljana and Warsaw exchanges. On the initiative of the Prague Exchange, a meeting of the highest representatives of these exchanges was held in Prague in March, when mutual cooperation in all areas of common interest was agreed on. This cooperation continued with a high-level meeting in September in Otočec, Slovenia. From the very beginning, the Prague Exchange was the coordinator and main engine of intensive cooperation between the exchanges of the central European region.

Cooperation with the London Exchange showed itself in the preparation of an agreement on the exchange of written information about shares listed on both exchanges and the organisation of training and educational activities for staff of the Prague Exchange. Representatives of the two sides signed the agreement on 10 May 2000.

EDUCATION AND SOCIAL EVENTS

The Exchange's most important activity in 1999 to help strengthen the transparency of the Czech capital market was a conference on the subject of Information Openness - Responsibility and Opportunity, held on 18 February. The valued contributions of senior representatives of the state and private sector on the capital market, who accepted our invitation to speak on the necessity of communication between issuers and the public, guaranteed the quality of the conference programme. Other Exchange educational activities were aimed at a smaller number of participants, mainly investors and representatives of the Exchange's members. The Exchange's annual ball, organised in cooperation with the Aspekt company, took place in March. This social event was again associated with the award of the prestigious Paegas Signum Temporis prize for information openness.

PERSONNEL POLICY

In this area, the Exchange concentrated mainly on improving the professional and language skills of its staff. To ensure problem-free running of the Exchange's information and trading system, and in connection with the introduction of new products, information technology staff completed specialist training courses. Regarding the emphasis on compliance with the required EU standards, the Exchange devoted special attention to raising the specialist skills of staff in the inspection, trading management and listing departments.

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- ❶ Zdeněk Kořínek (*Acting Director*)
 - ❷ Vladimír Skalný (*Department Director*)
 - ❸ Milan Šimáček (*Department Director*)
 - ❹ Vladimír Ezr (*Deputy General Secretary*)
 - ❺ Miroslav Prokeš (*Department Director*)
 - ❻ Jana Marcová (*Department Director*)
 - ❼ Jiří Opletal (*Department Director*)



13 STOCK EXCHANGE BODIES

THE EXCHANGE CHAMBER

The Exchange Chamber is the exchange's statutory body, which directs its activity and acts in its name. As envisaged in its plan of activity, the Exchange Chamber met at a total of 13 ordinary and extraordinary meetings during 1999.

COMPOSITION OF THE EXCHANGE CHAMBER AS AT 31 DECEMBER 1999

Chairman:

Petr Budinský (resigned at 19 April 2000)
Komerční banka, a.s. - shareholder representative
Date of birth: 8 May 1960
Education: Faculty of Mathematics and Physics, Charles University
Until 16 May 2000 Vice-chairman of the Board of Directors and Deputy General Director, Komerční banka, a.s.

Vice-Chairman:

George Jedlička
PricewaterhouseCoopers Czech Republic, s.r.o.
Date of birth: 13 January 1951
Education: St. John's University
Current post: Director, FAS (Financial Advisory Services)

Members:

Zdenek Bakala
Patria Finance, a.s.
Date of birth: 7 February 1961
Education: University of California
Current post: Chairman of the Board of Directors

Dušan Baran

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

Ladislav Bartoníček

Česká pojišťovna, a.s. - shareholder representative
Date of birth: 27 May 1964
Education: Faculty of Electrical Engineering, Czech Technical University, Prague and Rochester Institute of Technology
Current post: Vice-chairman of the Board of Directors and General Director

Petr Bodnár

Body International Brokers, a.s. - shareholder representative
Date of birth: 12 September 1954
Education: University of Economics, Prague
Current post: Chairman of the Board of Directors

Miroslav Fučík

Union Banka, a.s. - shareholder representative (member since 27 May 1999)
Date of birth: 27 April 1954
Education: Mining University, Ostrava
Current post: member of the Board of Directors

Věslav Michalík

CA IB Securities, a.s. - shareholder representative (member since 10 September 1999)
Date of birth: 1 March 1963
Education: Czech Technical University, Faculty of Nuclear Science
Current post: member of the Board of Directors

Lubomír Pužej (resigned on 29 February 2000)

Harvardská burzovní společnost, a.s. - shareholder representative
Date of birth: 11 October 1961
Education: Faculty of Mechanical Engineering, Czech Technical University

Libor Procházka

Investiční a poštovní banka, a.s. - shareholder representative
Date of birth: 18 October 1958
Education: University of Economics
Current post: Vice-chairman of the Board of Directors and Deputy General Director

Jan Sýkora (member since 27 May 1999)

Wood & Company, s.r.o. - shareholder representative
Date of birth: 18 January 1972
Education: University of Economics, Rochester Institute of Technology
Current post: authorised representative

Jan Vinter

Všeobecná úverová banka, a.s. - shareholder representative
Date of birth: 11 March 1940
Education: Faculty of Law, Charles University, Prague
Current post: Director of the Prague branch

Petra Wendelová

Credit Suisse First Boston (Praha), a.s.
Date of birth: 3 June 1962
Education: University of Economics, Prague
Current post: Vice President

The following members resigned from the Exchange Chamber in 1999:

Tomáš Zralý (resigned on 18 February 1999)
Živnostenská banka, a.s. - shareholder representative

Tomáš Novák (resigned on 1 April 1999)
Československá obchodní banka, a.s.

Jiří Franc (resigned on 16 June 1999)
ALFA Říčany, a.s.

SUPERVISORY BOARD

The Supervisory Board has five members and it oversees the performance of the Exchange Chamber and the Exchange's activities.

COMPOSITION OF THE SUPERVISORY BOARD AS AT 31 DECEMBER 1999

Chairman:

František Vejmla
Date of birth: 23 September 1936
Education: University of Economics, Prague

Members:

Jiří Klumpar
GE Capital Bank, a.s.
Date of birth: 9 May 1956
Education: Faculty of Nuclear Science and Physical Engineering, Czech Technical University
Current post: Senior Director, Compliance Division

Lumír Nováček

Investiční společnost Union, a.s.
Date of birth: 30 April 1965
Education: Faculty of Mechanical Engineering, Technical University, Brno
Current post: Director

Radko Resch

Harvardská burzovní společnost, a.s.
Date of birth: 27 September 1953
Education: Law Faculty of Charles University

Jan Struž

ING Bank N.V.
Date of birth: 5 May 1949
Education: University of Economics, Prague
Current post: Director, Prague branch

THE EXCHANGE COMMITTEES

EXCHANGE MEMBERSHIP COMMITTEE

Chairman: Ladislav Bartoníček

Secretary: Josef Marek

The Membership Committee met regularly once a month in 1999. It discussed and recommended the transfer of membership from BVV DIVES, a.s. to BÖHM & partner a.s. and from ING BARING CAPITAL MARKETS (CR) a.s. to ING. Bank N.V. (organisational component). The Committee also concerned itself with seven other applications for approval with shares transfer. It acknowledged the termination of membership by 10 companies and cessation of two companies' membership.

At its January and March meetings, the Committee discussed and recommended for approval two amendments to the Exchange Membership Rules. The amendments put higher requirements on members in respect of information disclosure, liquid funds, capital adequacy and others. The Committee has discussed in detail the draft amendment to the Principles of Inspection Activities and recommended their approval.

During the year, the Committee's cooperation with the Inspection Department intensified. It familiarised itself regularly with the inspection findings and on their basis and following discussion with representatives of member companies recommended to the Exchange Chamber to adopt the proposed measures, including sanctions for the breach of Exchange Regulations. The Committee also concerned itself with the reports of the Exchange inspector (representative of the Securities Commission) and recommended specific measures to be taken in the case of breach of Exchange Regulations.

The Committee also assessed the fulfilment by Exchange members of their responsibilities, such as payment of membership fees, conditions of membership and their information duties. The Committee initiated publishing of its findings in the Exchange Bulletin and fostered the members' compliance with the Exchange Regulations.

EXCHANGE COMMITTEE ON EXCHANGE TRADES

Chairman: Petr Budinský (until 10 September 1999)

Jan Sýkora (from 10 September 1999)

Secretary: Pavel Hollmann

In 1999, the Committee met almost regularly every fortnight. In the first half of the year, it focused particularly on trading in bonds, correct parameter setting and guarantee for SPAD trading, as well as on the New market and Free market restructuring which resulted in the cancellation of Trading group 6. At its autumn sessions, the Committee discussed particularly standardisation of direct trades with blocks of securities. The option of bond trading on the PSE was again considered.

The Committee recommended to the Exchange Chamber to discuss rules governing the trading and settlement on prompt market, as well as option and term contracts, including issues relating to derivatives trading. Also discussed were the Exchange standards, Uniform Book of Orders and the related amendments to Exchange Regulations.

EXCHANGE LISTING COMMITTEE

Chairman: George Jedlička

Secretary: Eva Štrupová

At its regular monthly meetings in 1999 the Committee discussed and approved applications for admission of securities for trading on the Exchange's Main and Secondary markets. It also carried out regular checks on the fulfilment of disclosure obligations by issuers whose securities had been accepted for trading on these prestigious markets and participated in shaping of the Exchange's strategy for accepting securities for trading.

The Committee also co-prepared the New market as an organic part of the Secondary market designed for "young" companies with high potential of growth. In connection with establishment of the New market, the Committee approved basic conditions for the admission of new issues on this new exchange market segment and formulated conditions for the appointment of patrons and new listings.

The Committee also considered an option of introducing a duty for companies accepted for trading to provide financial statements according to IAS. Broad discussion resulted in a recommendation to incorporate this duty into the draft amendment to the Requirements for Admission of a Security to Trading on the Main market (w.e.f. 2001) and on the Secondary market (w.e.f. 2002).

In line with the newly approved strategy to extend the disclosure obligations of issuers, the Committee submitted a proposal to the Exchange Chamber to foster the Exchange's departments in charge of checking the fulfilment by issuers of their information obligations.

14 REPORT OF THE SUPERVISORY BOARD

During 1999, between the 7th Ordinary General Meeting of Shareholders held on 27 May 1999 and the 8th General Meeting, the Supervisory Board met seven times with the same composition of members. In carrying out its functions, the Board adhered to the relevant legal provisions, the Exchange's Articles of Association, and the instructions and decisions of the general meetings of shareholders. At its meetings, the Board regularly discussed the Exchange's financial situation and the state of its assets. It familiarised itself with the Exchange Chamber's resolutions - as drafted and adopted - and the new Exchange rules. The Board also discussed proposals submitted by the Exchange Chamber, shareholders and Exchange members, the Securities Commission, the Exchange's inspector (representative of Securities Commission) and other persons.

The Supervisory Board's meeting on 21 June 1999 tackled mostly problems related to the recommendations made by the Securities Commission as part of licensing proceedings and also participation of Supervisory Board members in these proceedings. At this meeting, the Supervisory Board approved the remuneration system for the Exchange Chamber and Supervisory Board members proposed by the Exchange Chamber for the period up to the 8th Ordinary General Meeting of Shareholders.

At the Supervisory Board's meeting on 16 August, particular attention was paid to the fulfilment of tasks set in the Exchange's strategic plan, the current status of the licensing proceedings and the Exchange's results for the first half of 1999.

The Board's meeting on 19 October 1999 tackled primarily issues such as the Exchange's preparedness for trading with derivatives, the Exchange's results for the period up to 30 September 1999 and the devising of the Exchange's strategy for inspection activities subsequent to the licensing proceedings.

On 14 December 1999, the Supervisory Board discussed the expected results as at 31 December 1999, principles for the Exchange's efficient management in 2000, draft budget for 2000 and the activities of the Exchange Membership Committee.

For the Exchange Chamber meeting on 23 February 2000, the Supervisory Board prepared comments and proposals to the draft amendment to the Exchange Regulations which were submitted for approval to the Extraordinary General Meeting of Shareholders on 23 March 2000.

At its meeting on 23 March 2000, the Supervisory Board received from the appropriate Exchange departments background documentation to the financial statements for 1999, agreed a method for auditing these materials, and worked on the preparations for the 8th Ordinary General Meeting of Shareholders.

At the meeting of 18 April 2000, the Supervisory Board evaluated the findings of random checks of documents relating to withdrawals from selected accounts, considered the results of its inspection activities, approved the Supervisory Board's Report for the 8th Ordinary General Meeting of Shareholders; and formulated the Board's opinion and recommendations to the General Meeting.

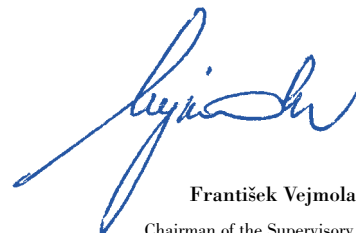
In line with Resolution No. 4 approved by the 7th Ordinary General Meeting of Shareholders on 27 May 1999 on remuneration of the Exchange Chamber and Supervisory Board members, the Supervisory Board carried out regular audits to check adherence to limits set for this purpose by the General Meeting.

The Supervisory Board regularly monitored work on The Report on the Exchange's Business Activities and the State of its Assets. At its meeting on 18 April 2000, it reviewed the report's final draft for discussion and approval by the 8th General Meeting of Shareholders. The Board has no comments on matters relating to the report and recommends that the General Meeting approve it.

In compliance with Article 33 of the Exchange's Articles of Association, the Supervisory Board reviewed the audited financial statements for the year 1999 and familiarised itself with the Auditor's Report.

The Board agrees with the financial statements of the Prague Stock Exchange and with the submitted proposal for the distribution of profit, including the payment of dividends totalling 2.5% of the Company's registered capital. The Board recommends the General Meeting of Shareholders to approve both the annual financial statements and the proposal for distribution of the 1999 profit, in line with the above.

Prague, 20 April 2000



František Vejmla
Chairman of the Supervisory Board

COMMENTS ON FINANCIAL RESULTS

15

The PSE generated sufficient income to fund its investment needs. During the year there was no need to take a short-term loan for operations, or a long-term investment credit.

The Exchange regularly paid the instalments on a long-term credit granted to it in 1995 by Česká spořitelna, a.s. (the Czech Savings Bank) to purchase an interest in Holan Center, s.r.o. The credit provided by Československá obchodní banka, a.s. to purchase an upgrade of an IBM AS 400 central computer system was also covered from own resources and fully paid up in 1999.

THE EXCHANGE'S FINANCIAL SITUATION AND PROSPERITY IS SHOWN BY THE FOLLOWING INDICATORS:

	1999	1998	1997	1996	1995
Return ratios					
Return on total assets	0.019	0.023	-	0.017	0.009
Return on equity	0.025	0.034	-	0.027	0.015
Return on registered capital	0.029	0.038	-	0.031	0.017
Return on liabilities	0.075	0.078	-	0.048	0.022
Financial stability indicators					
Financial independence	0.741	0.685	0.623	0.636	0.591
Long-term loans	0.922	0.950	0.939	0.997	0.914
Interest coverage	1.70	1.47	-	1.55	1.29
Insolvency	0	0	0	0	0
Total liquidity	2.56	2.93	2.29	2.25	1.58
Total debt	0.23	0.26	0.37	0.35	0.41
Net increase/decrease in funds	24,517	-13,427	-15,367	2,837	9,804

STRUCTURE OF ASSETS AND LIABILITIES (%)

	1999	1998	1997	1996	1995
Assets	100.00	100.00	100.00	100.00	100.00
Long-term assets	84.60	90.06	89.08	85.58	81.74
incl.: tangible and intangible fixed assets	82.34	88.34	87.50	83.79	29.88
financial investments	0.02	0.36	0.34	0.42	51.86
long-term receivables	2.24	1.36	1.24	1.37	0.00
Short-term receivables	5.16	4.35	3.77	5.10	9.69
incl.: trade receivables	4.86	3.77	3.46	5.09	4.81
other receivables	0.30	0.58	0.31	0.01	0.00
receivables for subscribed capital	0.00	0.00	0.00	0.00	4.88
Stocks	0.00	0.00	0.03	0.03	0.00
Financial assets	9.77	5.29	6.82	8.94	8.14
Other assets - temporary accounts	0.47	0.30	0.30	0.35	0.43
Liabilities	100.00	100.00	100.00	100.00	100.00
Long-term liabilities	90.90	94.23	92.94	92.26	90.89
incl.: own resources	74.11	68.51	60.81	63.64	59.07
bank loans and assistance	16.79	25.39	32.13	28.62	31.82
long-term payables	0.00	0.33	0.00	0.00	0.00
Short-term payables	6.72	3.69	5.67	6.85	8.20
Reserves	1.25	0.78	0.58	0.57	0.55
Other liabilities - temporary accounts	1.13	1.30	0.81	0.32	0.36

Prague Stock Exchange to pay dividends for the first time

The PSE should remain "in the black" this year too. Although the Exchange's last year's net profit is lower than the CZK 14.6 million generated in 1998, the PSE will pay dividends to its shareholders for the first time in its history. This decision was made at the General Meeting of shareholders yesterday. The PSE shareholders approved the 1999 financial statements, principles for this year's activities and other documents. The dividend will total 2.5% of the nominal value of a 1000 CZK share. The dividends are to be paid on 3 July.

HOSPODÁŘSKÉ NOVINY, 26 MAY 2000

In 1999, the Prague Stock Exchange generated profit before tax of CZK 19,617,000. The corporate income tax on this profit totals CZK 6,524,000, and the deferred income tax in 1999 amounts to CZK 2,147,000. After-tax profit for the accounting period totals CZK 10,946,000.

Compared with the 1999 budget, the profit (after tax) was higher by CZK 7,254,000 and compared with prior years can also be evaluated as favourable.

The result was positively affected by lower costs and higher revenues. Compared with previous years the revenues fell, mostly as a result of a steady decline in income from stock-exchange fees which account for 71% of total revenues.

The costs were adjusted to the development in revenues, in other words the company took measures to ensure provision of the same high-quality services.

Item	Budget for	Actual state	Actual state	Actual state	Actual state	Actual state
	1999	1999	1998	1997	1996	1995
	(CZK 000)	(CZK 000)	(CZK 000)	(CZK 000)	(CZK 000)	(CZK 000)
Profit/loss before tax	4,732	19,617	18,265	-21,039	14,392	14,541
- on operating activities	32,832	32,968	47,922	10,489	29,960	38,306
- on financial activities	-28,100	-13,057	-32,337	-31,782	-16,042	-23,424
- on extraordinary activities	-	-294	2,680	254	474	-341
Income tax	1,040	8,671	3,969	4,460	2,328	8,115
- due	1,040	6,524	2,543	2,242	3,743	-
- deferred	-	2,147	1,426	2,218	-1,415	8,115
Profit/loss after tax	3,692	10,946	14,296	-25,499	12,064	6,426