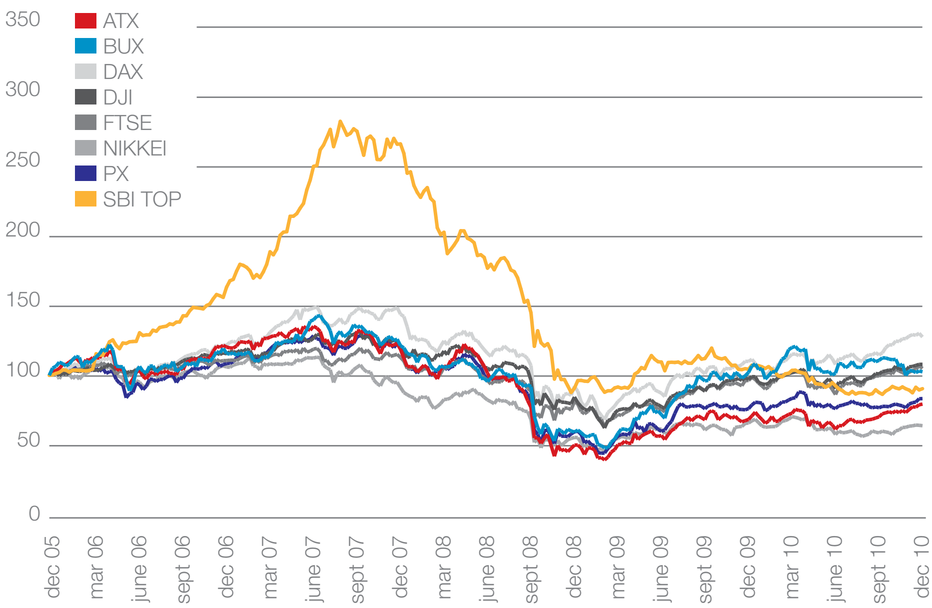
cee stock exchange group

2010: Annual Report
The CEE Stock Exchange Group and its Capital Markets 2010/11

PRAGUE STOCK EXCHANGE
BURZA CENNÝCH PAPÍRŮ PRAHA

The ATX closed the year 2010 at 2,904.47 points. This was a gain of 16.39% versus year-end 2009.

The BUX increased up to 21,327.07 points by the end of 2010. Versus year-end 2009 this was a gain of 0.47%.



The PX reached 1,224.80 points by year-end 2010., i.e. was up 9.62% y/y.

By the end of the year 2010, the SBITOP recorded negative growth of 13.47% to the previous year and closed at 850.35 points.

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Petr Koblic (Prague), Michael Buhl and Heinrich Schaller (Vienna), György Mohai (Budapest) and Andrej Šketa (Ljubljana)

Looking Back at a Busy Year 2010

First medium-term projects of CEESEG completed

The CEE Stock Exchange Group (CEESEG) looks back at a busy year 2010. In January, we optimized our organizational structure to meet the changed conditions and created a central holding company, CEESEG AG, which comprises the four stock exchanges of Budapest, Ljubljana, Prague and Vienna as subsidiaries.

In March 2010, the first medium-term project, the bundling of data vending operations for the entire group was completed with the integration of the price data of the Prague Stock Exchange into the ADH datafeed of the Vienna Stock Exchange.

CEESEG achieved another milestone in December 2010 with the implementation of the trading system Xetra® on the Ljubljana Stock Exchange. Xetra® is already in use in Vienna. Prague and Budapest will follow with the changeover in the coming years. This is an important step towards our long-term goal of establishing a uniform trading platform for all Group members.

Highlights of the stock exchanges of Budapest, Ljubljana, Prague and Vienna

Numerous projects were successfully completed at each of the four member exchanges: The Budapest Stock Exchange had a record year in terms of listings, with six new companies on the equity market including the IPO of CIG Pannónia Life Insurance. In December BSE extended its trading hours by 30 minutes giving market participants the opportunity to trade in line with the US market until 5.10 p.m.

The most important project for the Ljubljana Stock Exchange was without doubt the already mentioned changeover to the Xetra® trading system. This move helped shift the Slovene capital market into the focus of international market participants. The internationalization strategy is aimed at raising liquidity on the stock market which is still dominated by domestic investors.

The Prague Stock Exchange saw one IPO: Fortuna Entertainment Group and a secondary listing: KIT digital. Furthermore, in July 2010, PSE started operation of its 100% subsidiary, the new Central Securities Depository Prague, which features many innovations and extensive services.

In April 2010, the Vienna Stock Exchange switched its derivatives market to the internationally widely used Eurex® trading platform. In June, the Vienna Stock Exchange acquired 20% in the Central European Gas Hub AG. December was marked by the launch of the derivatives market of the CEGH Gas Exchange of the Vienna Stock Exchange – one year after the start of spot market trading.

Current economic environment

All of these activities were conducted before the backdrop of constant debates on sovereign debt in a volatile, but nonetheless generally much calmer market environment than in the two preceding years. The upwards revisions of earnings and economic forecasts and improved employment data helped rekindle a cautious optimism on international stock markets in 2010.

The CEE region suffered unduly and without differentiation from the harsh effects of the financial crisis. Over the long term though, it remains the growth region of Europe. Despite current volatility, most markets in CEE have solid upside potential though one should continue to look at each country individually. Current growth is no longer being fuelled exclusively by exports in most cases, but also by local factors. These factors include sinking unemployment rates, rising domestic demand and the positive development of capital expenditure and private consumption. All in all, the forecasts of the experts for Central and Eastern Europe may be assessed as positive.

The markets of the CEE Stock Exchange Group are well established in this context. Together, we will make every effort in 2011 again to position our financial markets attractively for domestic and international market participants.

Four Stock Exchanges – One Strong Alliance

The CEE Stock Exchange Group includes the stock exchanges of Budapest, Ljubljana, Prague and Vienna. With almost half of the total market capitalization and about two-thirds of equity turnover in Central and Eastern Europe, CEESEG is the largest player of all exchanges in the region. The primary goal of the Group is to raise liquidity on the member stock exchanges by providing easier access to the four local markets.

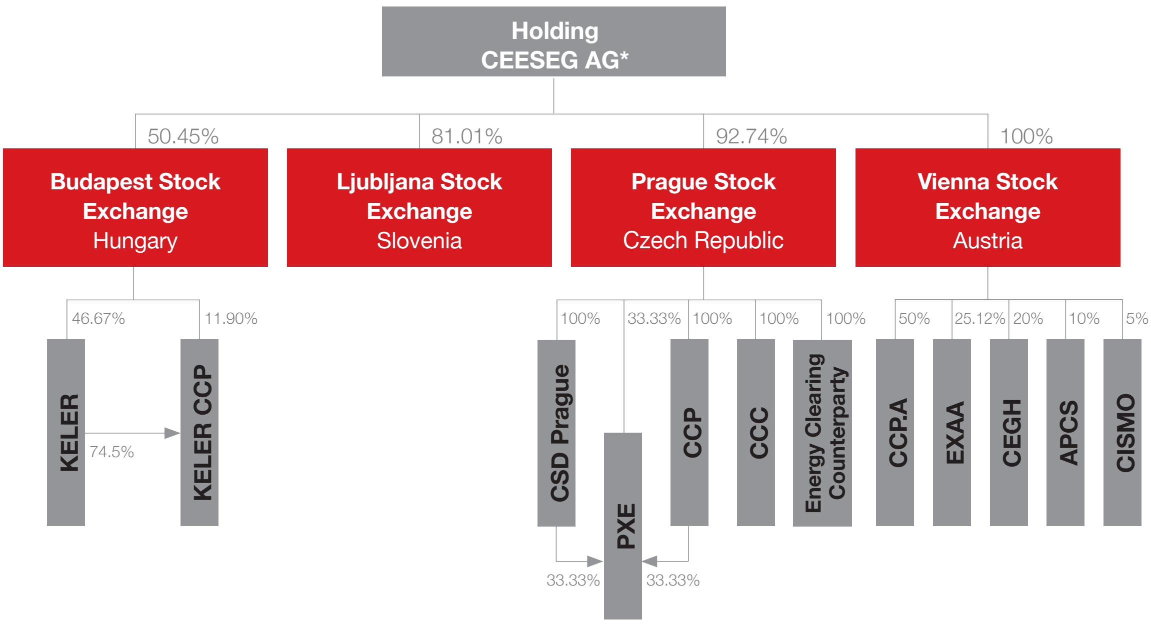
In 2010, work on the internal integration continued. The four members of the Group have been subsidiaries of a central holding company, CEESEG AG, since January 2010. The holding company is responsible for strategic and financial management as well as for the administration of the investments. The business operations of the four markets continue to be the responsibility of the local management boards of the four stock exchanges.

Internationalization and home market principle

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 stock 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 heightened media interest in their own countries – and the requirements of internationalization on capital markets.

The most prominent project in 2010 was the implementation of the Xetra® trading system, which has been in use at the Vienna Stock Exchange since 1999, on the Ljubljana Stock Exchange. Budapest and Prague are also scheduled to change over to the Xetra® system. The medium to long-term goal is to harmonize market segments, the general terms and conditions of business as well as clearing and settlement. The simplified access to the four stock exchanges will make it easier to acquire international trading participants and will help to boost trading volumes and liquidity.

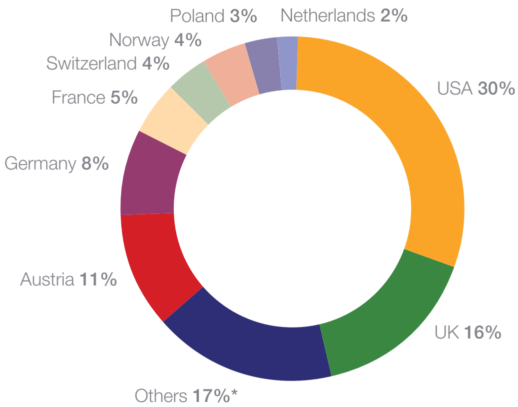


* Ownership structure: 52.59% Austrian banks, 47.41% issuers of the Vienna Stock Exchange

International Activities

Presence on all major financial marketplaces

According to a study by the financial information provider Ipreo, the top investors holding shares of the companies listed on the member exchanges of the CEE Stock Exchange Group are mainly international institutional investors from the USA (30%), UK (16%), Austria (11%), Germany (8%) and France (5%).



* Among others, Slovenia (2%), Czech Republic (2%), Denmark (1%), Sweden (1%)
Source: Ipreo

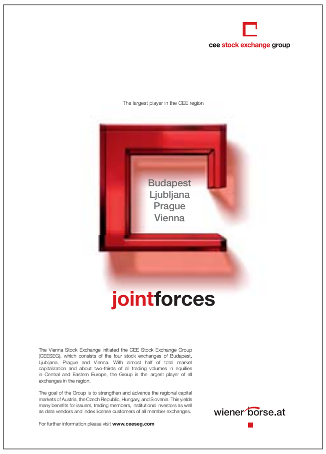
The study highlights the importance of a presence on international financial markets in the form of road shows. Since 2003, the Vienna Stock Exchange has been organizing investor conferences jointly with banking partners and listed companies at all major financial centers of the world.

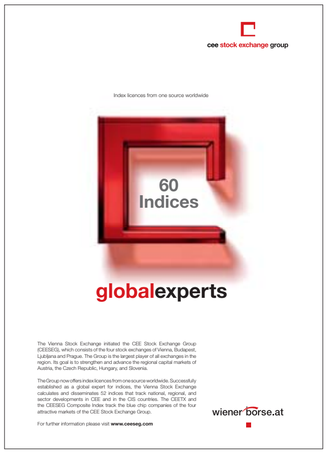
In 2010, companies listed on the other member exchanges of the CEE Stock Exchange Group used this opportunity to meet with international investors for the first time. A total of eight investor conferences took place in 2010: London (2x), Tokyo, Paris, Milan, New York (2x) and Zurich. 75 companies participated, and more than 400 meetings with approximately 250 investors were held.

An extensive road show program to major international financial centers is scheduled again for 2011.

Focus on marketing

With joint advertisements in the international media including the Financial Times, the CEE Stock Exchange Group presents itself to the global financial markets. Each of the advertisements highlights the special advantages of the Group for international market participants such as institutional investors, trading members and data vendors.





One Datafeed, Eight Markets

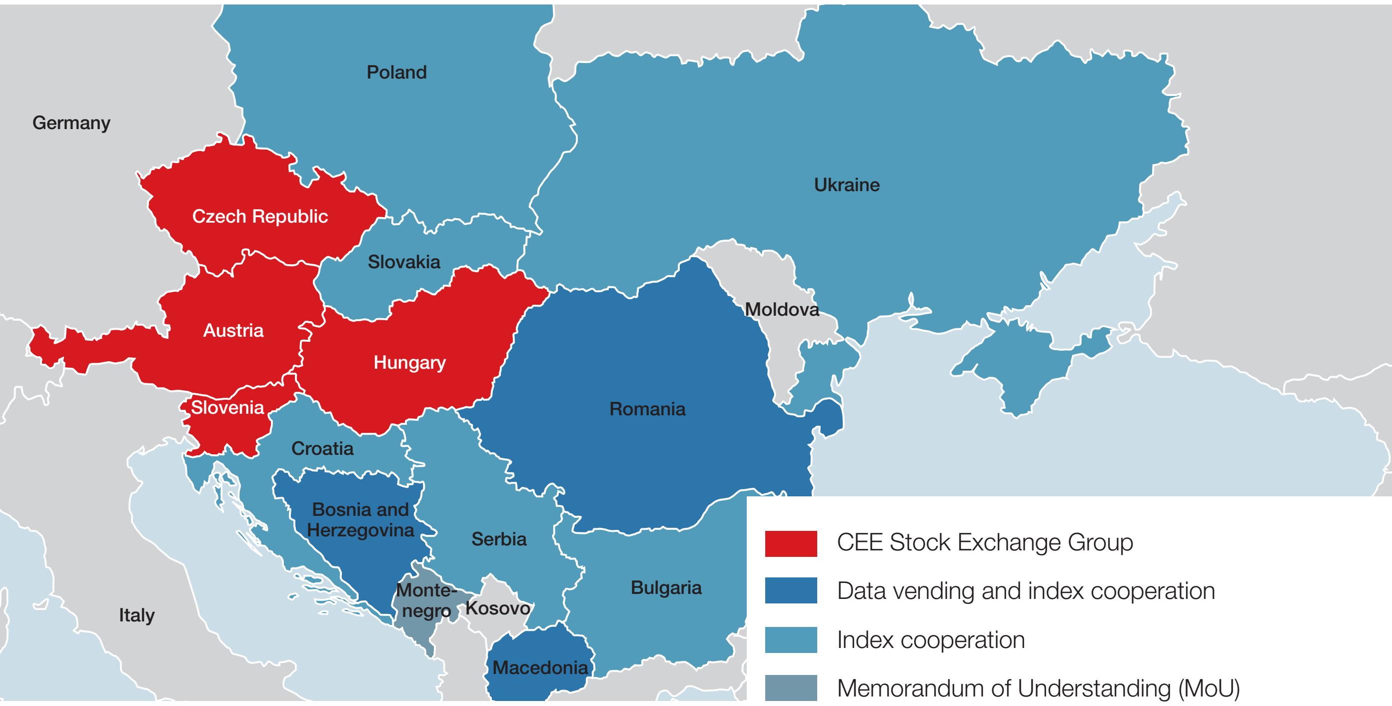
The CEE Stock Exchange Group provides professionally processed real-time price data and market depth data from the regional financial markets via the datafeed ADH of the Vienna Stock Exchange.

In March 2010, the price data of the Prague Stock Exchange were integrated into the ADH feed thereby bundling access to the market data of the four member exchanges of the CEE Stock Exchange Group: Budapest, Ljubljana, Prague and Vienna.

The price data of four additional exchanges cooperating with the CEE Stock Exchange Group from the region of Central and Eastern Europe – Banja Luka, Bucharest, Macedonia and Sarajevo – have also been integrated into the ADH datafeed. 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.

Vendors now have access to the market data of eight CEE stock exchanges via a single access point.

- One datafeed for eight markets saves time and money based on 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 60 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.

Broad range of indices

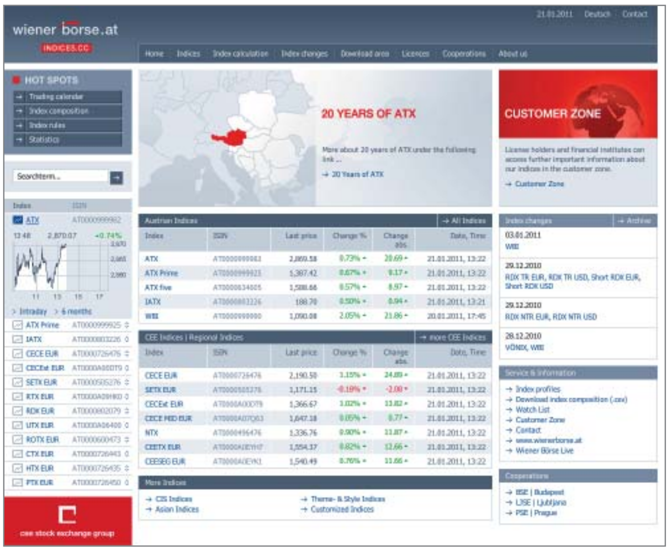
On the day of the official start of the CEE Stock Exchange Group two Group indices were launched: The CEETX, a tradable index composed of the 25 most actively traded stocks with the highest market capitalization of the member exchanges, and the CEESEG Composite Index made up of the stocks of the four leading indices of the member exchanges (ATX, BUX, PX and SBITOP) that tracks the development of the capital markets of the Group and also serves as a benchmark.

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 and regional indices, sector indices are calculated as well as theme and style indices (e.g. fundamental indices, short indices, total return indices, etc.).

Underlyings for structured products with a reference to CEE

A total of around 135 issuers use the indices calculated and disseminated by the CEE Stock Exchange Group as underlyings 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 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, committee decisions, watchlists and a trading calendar.

- 60 indices from a single source
- Globally recognized as expert for CEE and CIS indices
- Comprehensive know-how of regional capital markets
- Attractive underlyings for structured products

Hungary: Macroeconomic Outlook

The recovery of the Hungarian economy, though still export-driven, is slowly gathering pace. Yet, major uncertainties still exist regarding the government's next moves, especially over changes to the taxation system and possible budget reforms.

Country at a glance

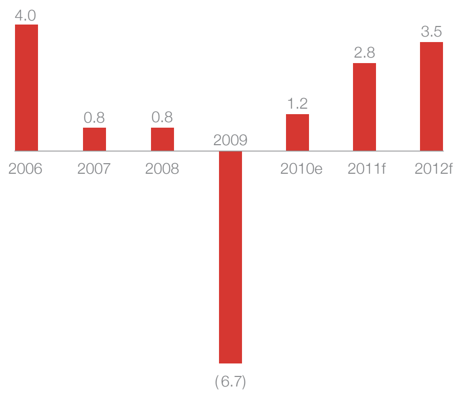
Official Language	Hungarian
Capital	Budapest
Area	93,036 sqkm
Population*	10,014,324 (2010)
Nominal GDP*	EUR 92,941.6m (2009)
GDP per Capita in PPS (EU-27 = 100)*	65 (2009)
Currency	1 Forint = 100 Filler
Time Zone	UTC+1 CET UTC+2 CEST (March to October)
Internet Suffix	.hu
Country Code	+36

* Source: Eurostat

Economic outlook

After real GDP dropped by 6.7% in 2009, the Hungarian economy started its recovery. In the third quarter of 2010, y/y growth was 1.7%. The third quarter brought a positive y/y figure of +0.8% for households' final consumption after seven consecutive quarters of decline. The revival of consumption is expected to continue in the coming quarters; however, the pace will be slow and fragile. The recovery is still driven by exports. Although household consumption will probably decline for the full year 2010, there were some first signs of growth in the third quarter. Investment activity is still weighing down the economy (declined 2.6% y/y in 3Q 2010), but in 2011 we expect a positive contribution. Overall, we expect GDP growth to reach 1.2% in 2010.

Real GDP (growth y/y %)



For the year 2011, we expect real GDP to grow by 2.8%. While lower personal income tax is raising the volume of households' disposable income, the crisis-induced taxes imposed on certain business sectors are expected to pressure investment activity. Households' final consumption is expected to grow by 2.5% in 2011. Gross investment in fixed capital has the potential to grow by 4%.

Economic and fiscal data	2006	2007	2008	2009	2010e	2011f	2012f
Real GDP (growth y/y %)	4	0.8	0.8	(6.7)	1.2	2.8	3.5
Fixed capital formation (growth y/y %)	(3.6)	1.6	0.4	(6.5)	(1.5)	4	7
Private consumption (growth y/y %)	1.9	(1.6)	(0.6)	(6.7)	(2)	2.5	3
Trade balance (% of GDP)	(2.7)	(0.1)	(0.2)	4.1	5.6	4.6	4.0
Current account balance (% of GDP)	(7.6)	(6.9)	(7.4)	(0.5)	1.9	0.9	(0.2)
CPI (average % y/y)	3.9	8	6.1	4.2	4.9	3.9	3.2
Unemployment (%)	7.5	7.4	7.8	10	11.1	10.5	9.6
General budget balance (% of GDP)	(9.2)	(5)	(3.8)	(4.4)	(3.8)	(2.8)	(2.9)
Public debt (% of GDP)	65.6	65.9	72.9	78.4	80.6	73.0	71.6
Foreign debt to GDP (%)	96.5	103.2	116.1	146.2	129.5	120.5	113.9
Industrial production (y/y %)	9.9	8.2	(1.1)	(17.7)	11.2	7	7.5
Retail sales (growth y/y %)	4.4	(2.8)	(2.1)	(5.1)	(2.2)	2.7	3
LCY/EUR average	264.3	251.3	251.3	280.6	275.4	272.5	267.5
LCY/USD average	210.5	183.8	171.8	202.3	208.1	209.6	217.5

Source: Erste Group

In the midst of the economic crisis, the current account deficit of over 7% of GDP in 2008 significantly improved to -0.5% in 2009. In 2010, the trade surplus is even expected to be above 5% of GDP, and net income outflow should also slightly increase compared to 2009, translating into a current account surplus of 1% of GDP. In 2011, the current account is forecasted to show a small surplus of around 0.9% of GDP. Taking into account the funds from the European Union, the net financing position is expected to remain positive in both 2011 and 2012.

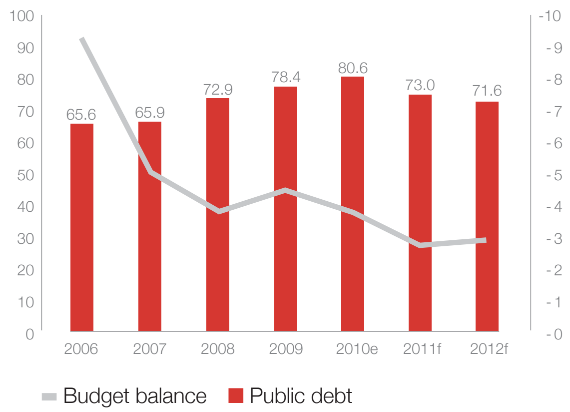
Unemployment climbed to 10% by the end of 2009 due to the global economic downturn. In the January–March 2010 period, unemployment reached 11.8%, but has been decreasing ever since. Although the government's projections are positive, we still expect to see only a slow, gradual improvement of the labor market. For the full year 2010, we estimate the unemployment rate to hit 11.1% on average. For 2011 and 2012, we expect a decline to 10.5% and 9.6%, respectively.

The central bank hiked interest rates at the end of November 2010, followed by another one in December. We believe that it will only be possible to avoid a further tightening of monetary policy if the upcoming Consumer Price Index (CPI) is much better than expected, and risk assessment also improves. By itself, the 4% average CPI next year (projected by the central bank) would need a base rate of around 6% to 6.25%. Therefore, we believe there is a higher probability that rates will be raised further at the beginning of 2011. Subsequently, the Monetary Policy Council (MPC) is expected to assume a more dovish tone due to new members appointed by the government. For this reason, a cut to the base rate cannot be ruled out after March.

Fiscal outlook

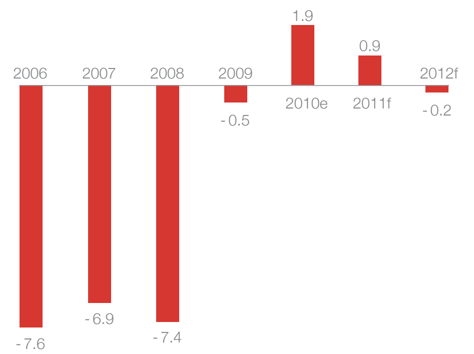
For 2010, we expect the extra revenues (including 'crisis' taxes and the financial sector levy) to be more than enough to contain

Budget balance & public debt (% of GDP)



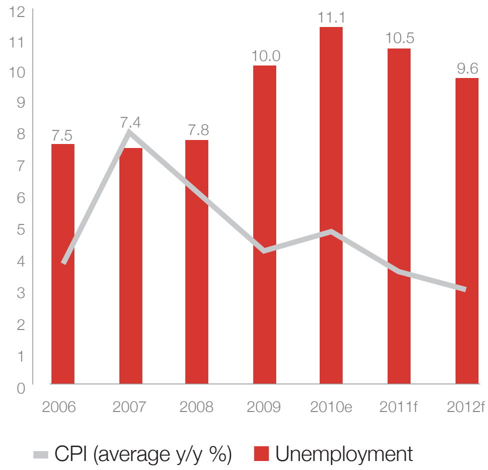
the deficit at 3.8% of GDP. While the measures mean that it will be easy to meet the targeted 2.9% of GDP deficit level in 2011, the structural deficit is expected to deteriorate significantly. The most important item of the revenue increases are the assets expected to be transferred to the state from the private pension funds, but the fact that HUF 700 billion (2.8% of GDP) of these funds should

Current account balance (% of GDP)



be used to finance current pension payments in 2011 and 2012 raises questions about long-term sustainability. The amount of funds expected to be transferred from the pension funds to the government, however, could indeed decrease the public debt-to-GDP ratio by around 6pp (to around 73%). However, this does not ensure the sustainability of the government debt levels over the long run. Meanwhile, the Ministry for National Economy also commented that a HUF 600 to 800 billion (2.1% to 2.8% of GDP) spending decrease was to be announced in February 2011. Therefore, overall, the deficit targets for 2010 to 2011 are expected to be met easily, but caution is advised for the long term.

Inflation outlook & unemployment



Equity market outlook

In 2010, the Hungarian stock market fluctuated widely. At the beginning of the year 2010 (before the elections), investors' hopes and the anticipated two-thirds majority for the next government sent the market soaring to nearly 26,000. Later on, as – instead of reforms – new taxes were introduced for corporations, the market started to lag behind its peers and closed the year practically unchanged.

Apart from the actual operating performance of companies, the most important factor determining the outlook is the government's moves. The changes to the taxation system – 'crisis' and new taxes, their validity and possible cuts to corporate tax rates as of 2013 – still carry uncertainties. The possible reform of the budget is also the most important factor for the stock market outlook. If it makes the right moves, Hungary will be able to avoid junk category status and yields might decrease along with the equity risk premiums. This would create room for the appreciation of the BUX by some 15% to 20% and even higher according to the market consensus based on target prices for stocks. In contrast, if the measures for reducing the budget deficit to be announced in February do not satisfy the credit rating agencies, Hungary's sovereign debt rating might drop to junk category. In this case, yields and equity risk premiums would increase even further, lowering the fair value and pushing down the estimated target for the BUX by some 10% to 20% versus year-end 2010.

Erste Group Research
Hungarian Research Team

Current Developments on the Capital Market

BUDAPESTI ÉRTÉKTŐZSDE
BUDAPEST STOCK EXCHANGE

Leading index	BUX
Performance 2010 (30 Dec 2009–30 Dec 2010)	+0.47%
Performance since 2006 (30 Dec 2005–30 Dec 2010)	+2.61%
Equity market capitalization (30 Dec 2010)	EUR 20.62bn
Number of listed companies	52
Number of trading members	38
Number of securities (30 Dec 2010)	
▪ equity market	53
▪ bond market	107
▪ structured products	49
Legal framework	EU Capital Market Legislation, Code of Conduct according to OECD standards, BSE rules

The 146-year-old Budapest Stock Exchange celebrated its 20th anniversary of reopening with a successful year. Both the cash and the derivatives markets reported higher trading volumes in 2010 than in the previous two years, and the number of new listings broke a new record. However, the most important trend for the future of the Hungarian market was the growing interest and willingness of Hungarian companies to raise capital through the stock market. As a result, 2010 was the most active year in the last decade in terms of new listings. The following six companies joined the equity market of the Budapest Stock Exchange in 2010: Appeninn, HybridBox, ALTEO, CIG Pannónia Life Insurance, KREDITJOG Corporation, Őrmester. Two companies – MOL and RFV – listed their newly issued corporate bonds series on the bond market. Capital increases, IPOs and technical listings increased total market capitalization by EUR 281 million.

In 2010, foreign investors returned to the Hungarian market, a trend also reflected by the fact that of the seven new trading members, four were international investment banks. At the end of the year, there were 38 trading members on the Budapest Stock Exchange. Three new remote members joined the Debt Securities Section on 1 July 2010 as primary dealers: BNP Baripas S.A., Nomura International Plc, and the Royal Bank of Scotland Plc. Three new Hungarian trading members also joined the market in different sections and Goldman Sachs International became a member of the Debt Securities Section in December 2010.

The extension of trading hours on the BSE marks an important milestone for the Hungarian market. Extended trading hours provide a longer overlap with markets in Western Europe and the USA. All trading sections close half an hour later as of 1 December 2010. This change is expected to create higher liquidity by providing additional trading opportunities during the most active part of the trading day and by attracting more investors to the market.

A look at the investor structure of the equity market shows that foreign investors have started returning to the Hungarian market: Their share is around 38.7% which is an average similar to the level before the onset of the crisis. The trading activity of domestic retail investors gradually decreased in the course of the year, but stayed at 25% to 30% in terms of trading volume. This level is still above the pre-crisis figures, indicating a sustainable increase in activity of this investor group. Remarkable is also the fact that the number of domestic non-professional end-users of trading data surpassed 15,000 this year, which is three times higher than in 2008.

Trading by market participants increased both on the cash market and on the derivatives market in 2010. There was 7.1% growth in trading volume on the cash market and 9.2% on the derivatives market. A share of 59.4% of the total trading volume (in HUF) is still being generated on the cash market of which 94.8% (in HUF) is accounted for by the equity market. Like in the previous year, the equity market is highly concentrated: Five blue chips accounted for 97.5% of trading volume (in HUF): Egis, Gedeon Richter, MTelekom, MOL, OTP. Thanks to the educational activities of the stock exchange and the issuers of certificates, the popularity of certificates among Hungarian retail investors has risen rapidly in the past few years. Trading in certificates increased 53.2% in 2010 and issuers introduced new underlyings to the market.

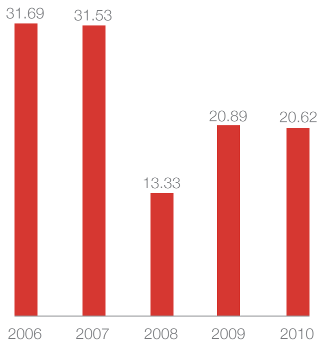
Since November 2010, new statistics have been published on the BSE website on the liquidity of the traded instruments (measured by the “Budapest Liquidity Measure”) and on the investor structure of the Hungarian market. The new statistics on the Hungarian market have helped to increase transparency.

The BSE works to improve the future chances of the exchange and is committed to developing the domestic market especially through educational measures and cooperation with market participants. The BSE will continue to focus on attracting new issuers to the market, enlarging the range of products and widening the investor base.

Key Figures of the Budapest Stock Exchange

Equity market capitalization 2006–2010

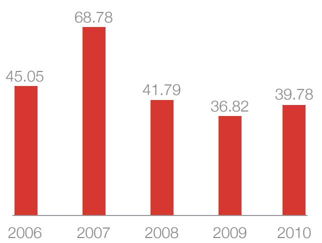
After a year of plunging prices in 2008, equity market capitalization on the Budapest Stock Exchange recovered from its lows on the back of bullish market trends in 2009. The year 2010 was characterized by sideways movements accompanied by bouts of heightened volatility. Although the increase in equity market capitalization in the first part of the year was driven mainly by higher stock prices and the listings of six new companies, by year-end, it had dropped to the previous year's level because of the depreciation of the domestic currency against the euro.



(in EUR bn / Source: FESE)

Domestic equity trading 2006–2010

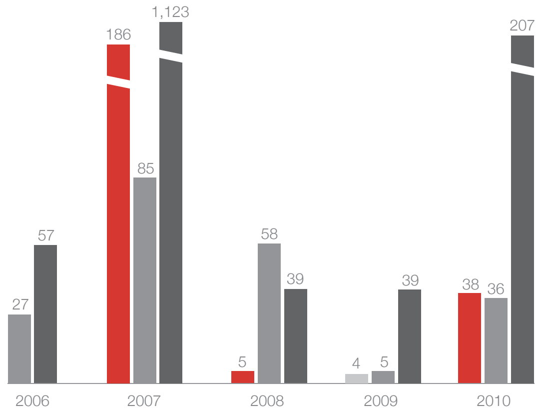
After two years of steadily decreasing trading volumes, BSE's cash market reported an increase of 8.04% in 2010. The average daily trading volume of EUR 83.0 million was generated by equities trading, with its share expanding to 94.8% up from previously 93.8%. The popularity of certificates continued to rise among investors, and the traded value of this product exceeded the value of transactions concluded in 2009 by 53.2%.



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

New share issues 2006–2010

In 2010, growth from IPOs and capital increases was substantial. Six new small and mid-cap companies were listed in the "B" equity category this year, increasing market capitalization by a total of EUR 245 million, while no shares were delisted from the BSE.

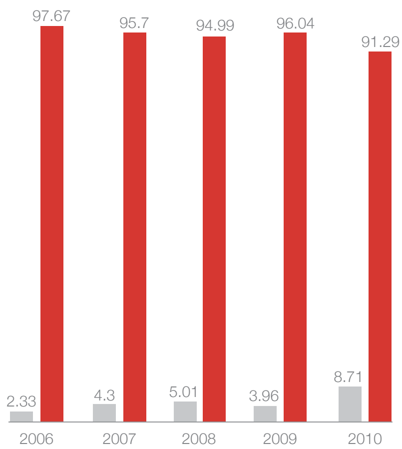


(in EUR m / Source: Budapest Stock Exchange)

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

Trading volume of national and international members 2006–2010

In terms of national/international trading volumes, domestic trading members play a key role on both the cash market and the derivatives market, accounting for 91.29% of total trading volume in 2010. Trading activity of international market participants also increased, mainly on the cash market. Their trading volumes rose by 144.7% to EUR 3.1 billion thereby exceeding the value of the year 2007.



(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 52 companies, BSE still has a highly concentrated equity market. The market capitalization of the top five companies exceeds 86% of total market capitalization. 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 of the Hungarian economy, but also among the most liquid stocks of the CEE region.

The BUX includes the following companies:

- econet.hu Plc
- EGIS Plc
- FHB Mortgage Bank Co Plc
- FOTEX HOLDING SE
- Gedeon Richter Plc
- Magyar Telekom Plc
- MOL Plc
- OTP Bank Plc
- PannErgy
- RÁBA
- RFV Plc
- TVK Plc

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

Business segment: Pharmaceutical
Market capitalization: EUR 568.84m
Free float: 43.33%
ISIN Code: HU0000053947
Bloomberg: EGIS HB
Reuters: EGIS.BU
IR Officer: László Csány

www.egis.hu

EGIS Plc

Egis is one of the leading generic pharmaceutical companies in Central and Eastern Europe with a high level of competence in the development, manufacture and marketing of branded generic drugs. The drugs are used in human therapies primarily related to cardiovascular, central nervous system and the respiratory system. Its products are sold in 63 countries, predominantly in CEE and CIS where the company has established a strong marketing presence. The majority shareholder (51%) and stategic partner of Egis is the French research pharmaceutical company Servier.

Business segment: Pharmaceutical
Market capitalization: EUR 2,876.96m
Free float: 54.42%
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 limited liability company in 1923. Since 1997, it has been the largest domestic drug manufacturer. Its main activity is the manufacturing and distribution of active ingredients and generic pharmaceuticals. Richter has now grown into a multinational company of the Central and Eastern European region and its products are sold in nearly one hundred countries worldwide.

Business segment: Telecommunications

Market capitalization: EUR 1,924.28m

Free float: 40.79%

ISIN Code: HU0000073507

Bloomberg: MTEL HB

Reuters: MTEL.BU

IR Officer: Szabolcs Czenthe

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. 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 7,688.88m

Free float: 45.44%

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 14 countries, operates five refineries, two petrochemical units and a modern retail network that relies on an optimized supply chain. MOL is active in gas transmission – through FGSZ as independent operator – and gas storage. MOL is committed to maintaining and improving the efficiency of its existing portfolio with the aim of ensuring high returns for shareholders.

Business segment: Universal banking services

Market capitalization: EUR 5,226.44m

Free float: 68.86%

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 services provider in Central and Eastern Europe with majority holdings in Bulgaria, Russia, Ukraine, Croatia, Romania, Serbia, Slovakia and Montenegro. Its strategically important domestic subsidiaries include the OTP Mortgage Bank (the largest Hungarian mortgage credit institute), Merkantil Group (leasing), OTP Real Estate Ltd., OTP Lakástakarékpénztár (savings and loans), OTP Factoring Ltd. and OTP Fund Management Ltd.

Slovenia: Macroeconomic Outlook

Raiffeisen Bank International

The Slovene stock market, though small in international comparison, offers excellent opportunities as a financial market with attractive valuations. Steady economic growth, even though still slow and export-driven, is expected to contribute to a solid stock market performance in 2011.

Country at a glance

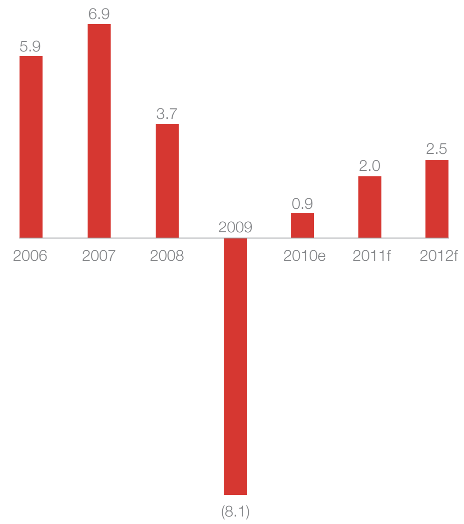
Official Language	Slovene
Capital	Ljubljana
Area	20,273 sqkm
Population*	2,046,976 (2010)
Nominal GDP*	EUR 35,394.4m (2009)
GDP per Capita in PPS (EU-27=100)*	88 (2009)
Currency	1 Euro = 100 Cent
Time Zone	UTC+1 CET UTC+2 CEST (March to October)
Internet Suffix	.si
Country Code	+386

* Source: Eurostat

Economic outlook

Slovenia was hit by the global crisis due to its dependence on exports. The government expects the economy to grow by 2.5% in 2011 compared to an expected growth rate of about 1% in 2010 following the contraction by 8.1% y/y in 2009. The slight recovery of Slovenia's main trading partners (EU countries) led to an increase in Slovenia's real GDP by 0.9% in the period from January to September 2010 compared to the same period of 2009. Exports are the main driving force behind the expansion bolstered by higher foreign demand (exports up by 10.5% y/y), while domestic demand has not yet fully recovered (private consumption fell compared to 3Q 2009 and government consumption rose 0.1%). Gross fixed capital formation continued to decrease for the eighth quarter in a row in 3Q 2010. The increase in imports of goods used for investments in machinery and equipment indicates a rise in production. The difference between the pace of recovery of external and domestic demand is revealed by the fact that the highest level of value added is being seen mostly in the exporting sectors (manufacturing, transport, storage and communications), while the steepest rise in unemployment occurred in the sectors oriented on the domestic market. On the labor market, the number of employed persons stagnated in 2Q, but given the significant job losses in 2009, the y/y rates have been declining continuously. However, in July – and especially in August – the negative trends intensified. After a sharp decrease of GDP in 2009 (-8,1%), Slovenia is expected to attain moderate, but nonetheless positive growth rates

Real GDP (growth y/y %)



Economic and fiscal data	2006	2007	2008	2009	2010e	2011f	2012f
Real GDP (growth y/y %)	5.9	6.9	3.7	(8.1)	0.9	2.0	2.5
Nominal GDP (EUR bn)	31.1	34.6	37.1	35.4	35.8	37.2	39.0
Current account balance (% of GDP)	(2.5)	(4.8)	(6.7)	(1.5)	(0.9)	(1.0)	(1.1)
CPI (average y/y %)	2.5	3.6	5.7	0.9	1.8	2.0	2.2
Consumer prices (eop y/y %)	2.8	5.6	2.1	1.8	1.8	2.3	2.4
Producer prices (average y/y %)	2.3	4.4	3.9	(1.4)	(1.0)	2.0	2.0
Unemployment (%)	9.4	7.7	6.7	9.1	10.7	11.0	10.6
General budget balance (% of GDP)	(0.8)	0.3	(0.3)	(5.5)	(6.0)	(5.0)	(4.5)
Public debt (% of GDP)	26.7	23.4	22.8	30.0	31.0	31.0	30.0
Industrial output (y/y %)	5.7	7.1	2.4	(17.1)	1.0	3.0	3.0
Nominal industrial wages (y/y %)	5.1	6.7	8.4	0.0	3.0	4.5	4.5
Official FX reserves (EUR bn)	5.3	0.7	0.6	0.7	0.6	0.6	0.6
EUR/LCY (average)*	239.6	239.6					
USD/LCY (average)*	190.2	174.9					
EUR/USD (average)	1.26	1.37	1.47	1.39	1.33	1.28	1.22

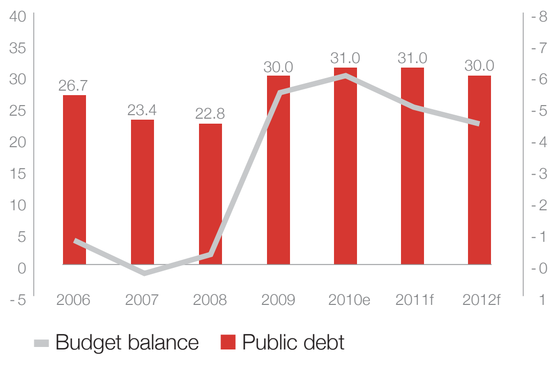
* Eurozone entry on 1 January 2007
Source: Thomson Reuters, wiiw, Raiffeisen Research

in 2010. Even so, the pace of the recovery still depends largely on developments in other Western markets.

Fiscal outlook

By mid-December 2010, the Slovene parliament adopted a pension reform to lift the retirement age and ease pressure on the state budget. The reform would gradually raise retirement age to 65 from 57 for women and 58 for men at present. However, trade unions plan to seek a referendum on the issue, which could mean that the reform will very likely be rejected, partly due to the unpopularity of the government. Several government ministers fear that a rejection of the pension system reform could trigger a downgrade of Slovenia's credit rating and complicate its access to global financial markets. Prime Minister Pahor's government, which came to power in 2008, has made the pension reform one of its crucial goals. Since this issue is the key reform of this government, its rejection would raise the question of possible early elections. The government's popularity has fallen to a record low over the past year, as the country struggles with recession and rising unemployment. The government has slowed the growth of public sector wages and pensions to curb the budget deficit. Slovenia's budget deficit soared to 5.5% of GDP in 2009 beset by lower tax revenues and higher government spending for measures to ease the impact of the recession. For 2010 we forecast the deficit to have risen to 6% of GDP but expect a slightly lower deficit of 5% for 2011.

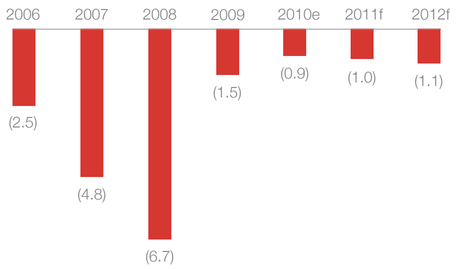
Budget balance & public debt (% of GDP)



The government hopes to push it below 3% of GDP by the end of 2013. On 22 December 2010, Standard & Poor's revised the outlook on Slovenia's credit to negative due to the weakening commitment to budgetary consolidation by the government faced with rapidly deteriorating public finances. However, the rating agency affirmed its AA long-term and A-1+ short-term sovereign credit ratings for Slovenia. The negative outlook reflects the possibility of a downgrade over the next two years should Slovenia's overall government debt fail to stabilize because of a slacker government commitment to medium-term budgetary targets.

According to the Ministry of Finance, Slovenia plans to issue a benchmark syndicated bond of at least EUR 1 billion in 2011. The time of the issue depends on market conditions, while maturity has yet to be determined. The Ministry also said it might reopen existing benchmark bonds for private placement in order to finance the budget. The maximum level of debt incurred in 2011 may amount to EUR 4.2 billion. The Ministry plans four issues of three-month treasury bills of EUR 30 million per issue.

Current account balance (% of GDP)



Equity market outlook

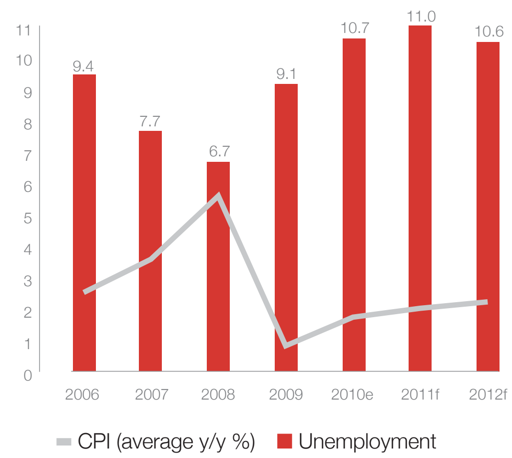
In the last few months in 2010, CEE and SEE equity markets posted mostly gains, following the general trend on international stock markets. Despite the difficulties in some countries, the concerns about the (primarily European) debt problems have abated somewhat and the still very expansive monetary policy is providing benign conditions, also for the capital market. In general, we expect to see steady economic recovery which is why we assume that international risk aversion will continue to dissipate. Accordingly, we expect quite good performance for equity markets in the SEE region, which should be able to slightly outperform the established markets in 2011.

With a market capitalization of EUR 6.99 billion at the end of December 2010, the Ljubljana Stock Exchange is a small market in international comparison. Thanks to the good macroeconomic environment and its growth potential, the Slovene stock market may be described as a high-opportunity financial market, with a high risk-return profile. Prior the financial crisis, real GDP had grown by 5.4% per year after Slovenia joined the European Union in 2004. Accession to the EU and the adoption of the euro opened the Slovene capital market further and attracted higher capital inflows from abroad. Despite the slowdown, the convergence process is still intact and provides support for portfolio investments. Interest in Slovene equities has already recovered and is helping to increase the liquidity of the capital market. Plans by the government to raise capital via the privatization of state-owned companies are likely to draw further capital inflows.

The attractive valuations of Slovene stocks are worth special mention. At a P/E ratio of 12.6 (based on aggregated corporate earnings estimates for 2010) and a P/B ratio of 0.95, the Ljubljana Stock Exchange does not need to shy away from comparisons with other regional or international exchanges. Even though the SBITOP has slowed because of the crisis, we expect the economic recovery and efficiency gains at Slovene companies to boost corporate earnings. For the current year we expect the economy to expand by 2%, and in the year after, GDP is estimated to grow by 2.5%.

All in all, we expect the stock market in Ljubljana to develop positively over the next twelve months. The economic recovery should spur growing confidence among international investors and help to attract growing inflows of foreign capital to the country. As general sentiment on the world's stock exchanges brightens, the Slovene stock market's performance is also expected to improve over the next twelve months, although the upswing will probably be a bit rocky because of the debt problems of some euro zone countries.

Inflation outlook & unemployment



Martin Stelzeneder and Aaron Alber, Raiffeisen Research, Raiffeisen Bank International

Current Developments on the Capital Market

BORZA
LJUBLJANA STOCK EXCHANGE

Leading index	SBITOP
Performance 2010 (30 Dec 2009–30 Dec 2010)	(13.47)%
Performance since 2006 (30 Dec 2005–30 Dec 2010)	(9.64)%
Equity market capitalization (30 Dec 2010)	EUR 6.99bn
Number of listed companies	72
Number of trading members	25
Number of securities (30 Dec 2010)	
▪ equity market	74
▪ bond market	80
▪ structured products	6
Legal framework	EU Capital Market Legislation, Code of Conduct according to OECD standards, LJSE rules

2010: LJSE integrated into international markets

Signs of recovery and higher liquidity expected in 2011

The debt crisis and falling stock prices continued to overshadow trading on the Ljubljana Stock Exchange (LJSE) in 2010, causing uncertainty and resulting in low turnover. The Slovene market had been hit by the financial and economic crisis with a delay and is now struggling its way out at a slower pace than other developed markets. Nonetheless, there was also a positive change in 2010: Xetra® was launched and new international trading members joined the Slovene stock exchange, creating expectations of higher market liquidity in 2011.

The LJSE expects the situation on the domestic capital market to improve in 2011. Analysts forecast economic growth, while companies speak of improved operating results with higher profits. Additionally, the Slovene blue chips will be able to realize their full potential bolstered by the ongoing internationalization of the Slovene market achieved by the introduction of trading through Xetra®. Furthermore, based on the advantages of LJSE's membership in the CEE Stock Exchange Group, we expect some of CEESEG's international trading members to enter the Slovene market.

New Capital Market Strategy to advance development

In 2010, the LJSE and Slovene market participants adopted a Capital Market Strategy. The Strategy provides an action plan for rebuilding investor confidence and for stimulating supply and demand. It underlines the importance of consistent compliance with international standards and practices, and emphasizes the need to open up to foreign investors. LJSE began implementing the Strategy in 2010 by launching the international trading platform Xetra® and by admitting two new trading members to the exchange – prominent international banks – while conducting a comprehensive international promotional campaign for the Slovene market.

LJSE integrated into international markets with Xetra®; new trading members admitted

Since 6 December 2010, trading has been transacted on the LJSE through the international system Xetra®, which has made access to the Slovene capital market easier for international investors.

The LJSE recently also admitted two new international banks to trading, and others are expected to join in the course of 2011. New international banks are entering the LJSE market mainly because its listed products are becoming increasingly easier to access from outside Slovenia now that the Ljubljana Stock Exchange features Xetra®.

Strong international campaign to promote the Slovene capital market

To stimulate demand for Slovene blue chips, in 2010, LJSE organized six capital market road shows abroad, mainly showcasing its Prime Market companies. The events were held either by LJSE alone or in cooperation with the CEE Stock Exchange Group or trading members and took place in London, Vienna and New York for the first time; furthermore, the LJSE also presented its top companies in a webcast. Companies also had a chance to address investors at two joint conferences in Ljubljana. Additionally, the Slovene market was presented to international investors in the Financial Times and Institutional Investor magazine, and the LJSE also produced a brochure to present the capital market to institutional investors.

The Ljubljana Stock Exchange will continue its active promotion of the market in 2011.

Looking ahead

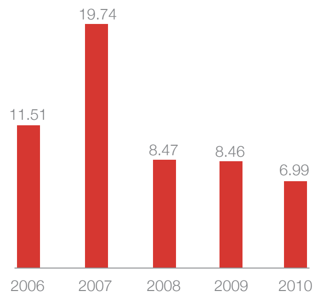
LJSE projects and activities planned for 2011 will additionally support the Capital Market Strategy and improve LJSE's services, encouraging development and in this way providing better support to the future process of privatization, IPOs and raising of new capital. LJSE's key activities planned for 2011 include:

- Increasing liquidity on the LJSE through higher international visibility; international marketing and sales of products, data and indices; and new remote members
- Improving LJSE services (trading hours prolonged to 5 p.m.)
- Development of activities with trading members and listed companies (implementation of the Capital Market Strategy, development of “P accounts”, the 3rd pillar of pension system, and the support of privatizations and IPOs)
- Further alignment and integration into the CEE Stock Exchange Group (C&S, cross-membership)

Key Figures of the Ljubljana Stock Exchange

Equity market capitalization 2006–2010

Total equity market capitalization dropped to EUR 6.99 billion in 2010, driven mainly by declining prices.

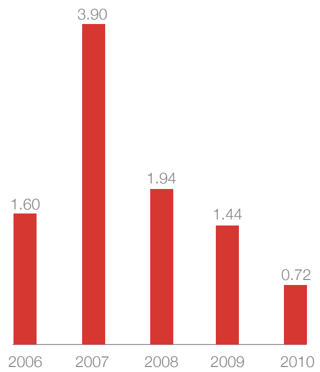


(in EUR bn / Source: FESE)

Domestic equity trading 2006–2010

In 2010, domestic trading volume was EUR 722 million, with total LJSE trading volume (including bonds and investment funds) amounting to EUR 985 million. This translates into an average monthly trading volume of EUR 82 million. Without block trading, it was EUR 713 million, which is a decrease of 25% compared to 2009. The greater share of trading volume consisted of equity trading (73%), while bonds and investment funds contributed a further 22% and 5%, respectively.

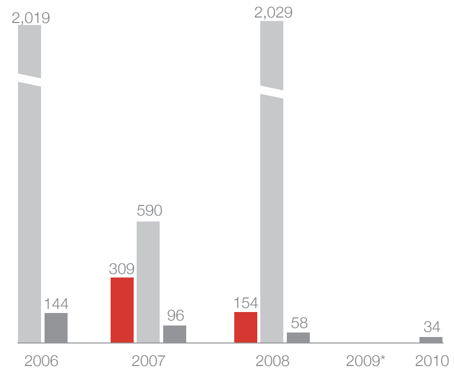
In 2010, the most actively traded stock on the Prime Market was again Krka which generated 50% of total equity trading volume. The LJSE Prime Market lists eight Slovene blue chips, which account for 80% of the equity trading volume. The other two largest contributors were Mercator, which generated 7% of all equity trading, and Telekom Slovenije with 5.8% of total equity trading in 2010.



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

New share issues 2006–2010

The adverse market situation was one of the key reasons for the low rate of capital increase in 2010 (EUR 34 million). Aside from the fruit and vegetable wholesaler Agrogorica, new listings on LJSE in 2010 were mainly bank bonds, which were issued in total nominal value of EUR 2.74 billion.



(in EUR m / Source: Ljubljana Stock Exchange)

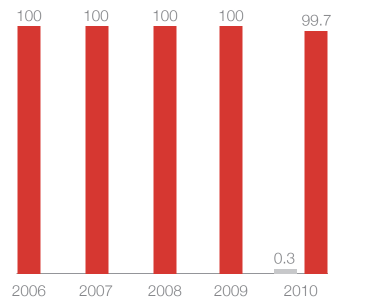
Initial public offering
Capital increase
Secondary public offering

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

Trading volume of national and international members 2006–2010

Two new international trading members were admitted to LJSE at the end of 2010 (KBC Securities, Raiffeisen Centrobank AG), while others have shown an interest in joining the LJSE market in the future.

The LJSE trading volume in 2010 was generated primarily by domestic members (22 domestic members, 3 international remote members in 2010). However, data on trading volumes on the cash market generated by retail and institutional investors show that from 2006 to 2010 an average of 21% of Prime Market turnover was generated by international investors. With the launch of Xetra® and new international trading members, international trading volume is expected to grow in 2011.



(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.

The SBITOP includes the following companies:

- GORENJE
- KRKA GROUP
- MERCATOR GROUP
- NOVA KBM
- PETROL
- TELEKOM SLOVENIJE

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

gorenje

Business segment: Home appliances
Market capitalization: EUR 209.49m
Free float: 54.3%
ISIN Code: SI0031104076
Bloomberg: GRVG SV
Reuters: GORE.LJ
IR Officer: Bojana Rojc

www.gorenje.com

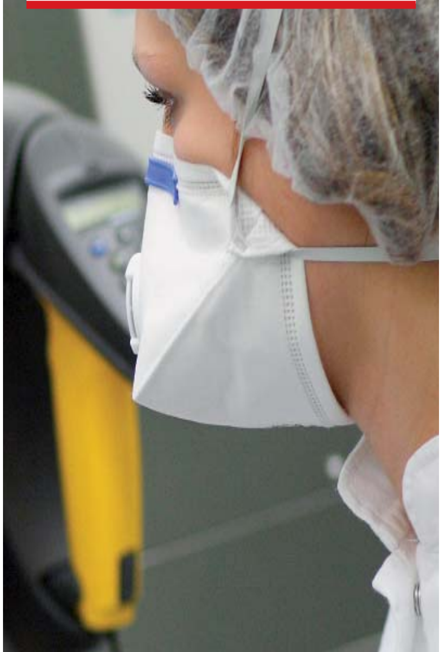
GORENJE

Gorenje Group is a leading European manufacturer of home appliances. It has been supplying technologically perfected, superiorly designed, energy-efficient home appliances under the brands Gorenje, Atag, Asko, Pelgrim, Mora, Upo, Etna, Körting and Sidex to users in 70 countries for over 60 years. The Group's portfolio is rounded off by an offer of kitchen furniture and other home products. It also works in the area of environmental protection and energy management.

KRKA

Business segment: Pharmaceutical
Market capitalization: EUR 2,227.59m
Free float: 75.1%
ISIN Code: SI0031102120
Bloomberg: KRKG SV
Reuters: KRKG.LJ
IR Officer: Peter Skubic

www.krka.biz



KRKA GROUP

Krka is one of the world's leading generic pharmaceutical companies with over 50 years of experience in the industry. Krka has a strong presence in Southeast Europe and CEE. In recent years, Krka has been building 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.

Mercator

Business segment: Retail
Market capitalization: EUR 578.36m
Free float: 55.2%
ISIN Code: SI0031100082
Bloomberg: MELR SV
Reuters: MELR.LJ
IR Officer: Dean Čerin

www.mercator.si

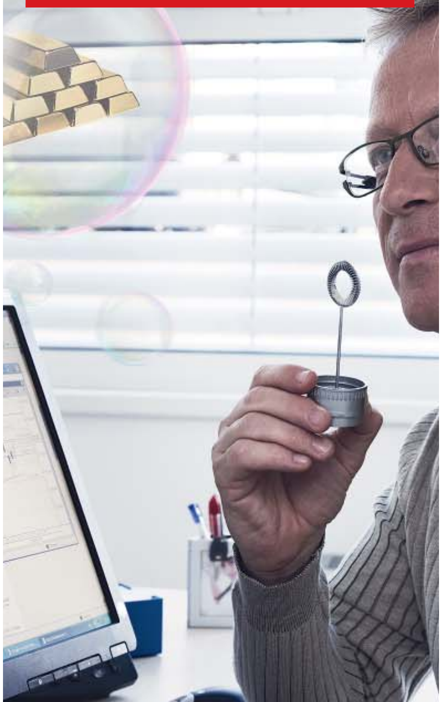
MERCATOR GROUP

Mercator Group is one of the largest retail chains in the region of South-east 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 these swiftly growing markets, Mercator is aiming to become the first or second-largest fast-moving consumer goods (FMCG) retailer by operating shopping malls in capitals and regional centers in each market. Mercator's vision is to be the consumers' first choice when shopping for fast-moving consumer goods and home products.

Nova KBM

Business segment: Banking
Market capitalization: EUR 266.04m
Free float: 49%
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.

PETROL

Business segment: Energy
Market capitalization: EUR 562.17m
Free float: 61.9%
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 Group operates in ten countries and has a broad network of 439 service stations in Southeast Europe. It is the market leader in petroleum product sales in Slovenia holding a 61% market share in service stations, with merchandise sales accounting for a significant portion of revenues. The Group is also active in fields of gas, electricity, environment and other energy sources including renewable energy. By offering the full range of energy and environmental products and services, Petrol ensures customers reliable, economical and environmentally-friendly services.

Austria: Macroeconomic Outlook

With government debt significantly below the average of the euro area in Austria and in Central and Eastern Europe, the region's equity markets have an advantage over the major established markets.

Country at a glance

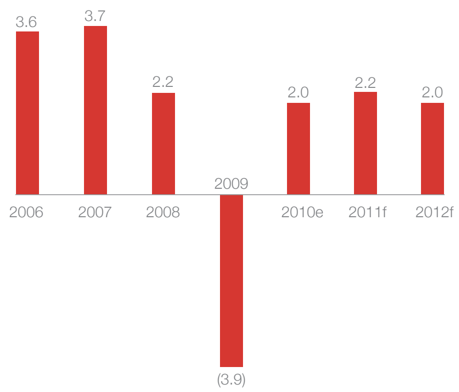
Official Language	German
Capital	Vienna
Area	83,879 sqkm
Population*	8,375,290 (2010)
Nominal GDP*	EUR 274,320.5m (2009)
GDP per Capita in PPS (EU-27 = 100)*	124 (2009)
Currency	1 Euro = 100 Cent
Time Zone	UTC+1 CET UTC+2 CEST (March to October)
Internet Suffix	.at
Country Code	+43

* Source: Eurostat

Economic outlook

The structure of the Austrian economy – balanced and robust for many years – is of great support in times of financial markets worrying about the future of the monetary union. Among the strengths of the country are its high degree of competitiveness, low levels of private debt, and a remarkably strong labor market even in periods of crises. Government debt is below the average of the euro zone and even of Germany, and it will be possible to push it down below the Maastricht threshold without outside support simply on the back of the positive growth outlook.

Real GDP (growth y/y %)



Fiscal outlook

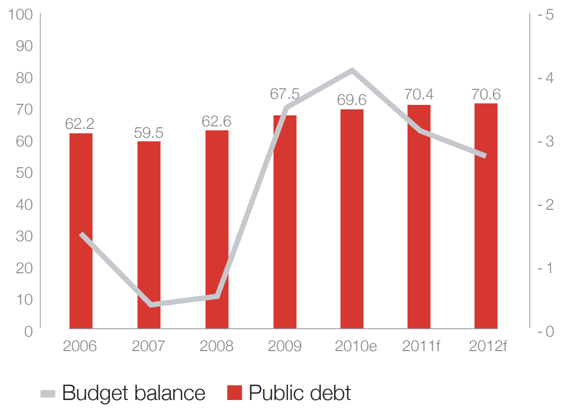
As a member of the traditional hard currency block, Austria has written positive history in the monetary union, making it one of the economically successful core countries of the euro zone. Therefore, Austria is not experiencing the severe debt crisis seen in some euro zone countries as much of a threat. This assessment is based on the past eight years of positive current accounts, a sustainable rise in productivity over years, and a generally highly competitive economy and industrial sector. Moreover, unit labor costs have developed moderately along with the increase in production, and inflation has been relatively low and in line with the ECB's (European Central Bank) target.

Economic and fiscal data	2006	2007	2008	2009	2010e	2011f	2012f
Real GDP (growth y/y %)	3.6	3.7	2.2	(3.9)	2.0	2.2	2.0
Fixed capital formation (growth y/y %)	3.0	7.0	1.0	(12.7)	(0.1)	3.6	2.9
Private consumption (growth y/y %)	1.8	0.7	0.5	1.3	1.1	0.9	1.1
Exports fob (growth y/y %)	7.2	9.9	0.3	(18.7)	12.3	8.3	8.0
Imports cif (growth y/y %)	5.4	7.0	0.2	(15.1)	9.8	6.5	6.5
Current account balance (% of GDP)	2.8	3.5	4.9	2.9	3.7	4.2	4.6
CPI (average % y/y)	1.5	2.2	3.2	0.5	1.8	2.1	1.8
Unemployment (%)	4.7	4.4	3.8	4.8	4.4	4.3	4.3
General budget balance (% of GDP)	(1.5)	(0.4)	(0.5)	(3.5)	(4.1)	(3.1)	(2.7)
Public debt (% of GDP)*	62.2	59.5	62.6	67.5	69.6	70.4	70.6

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

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 2013. Government bonds with best ratings should retain their function as safe havens, not least as the European debt crisis has not been overcome yet.

Budget balance & public debt (% of GDP)



Austria enjoys the highest ratings by the three major rating agencies. The fundamental data and Austria's capacity to service its government debt are even better than Germany's, which is why risk spreads on Austrian government bonds relative to German are not justified – only a small liquidity spread would be arguable. We expect the current spread of 40 bp to narrow to the long-term average of 15 to 20 bp again.

Development in CEE and its impact on Austria

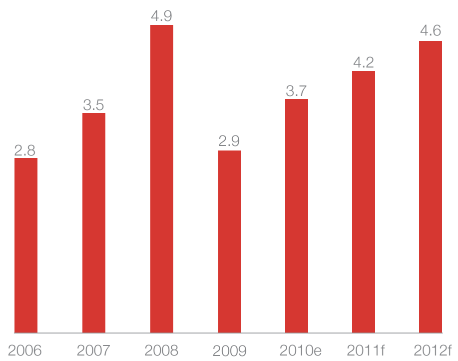
However, the economic development of Central and Eastern Europe is of crucial relevance for the Vienna Stock Exchange. Some 85% of the most important companies (weighted by market capitalization) in the blue chip index, ATX, are heavily involved in CEE and generate the majority of their sales and earnings in the region. That said, the CEE economies have experienced some wide fluctuations in economic development, but overall their performance in 2010 was relatively solid inspite of the aftermath of the crisis (which also applies to the euro zone). The markets covered by Erste Group Research (CEE8[1]) grew by a weighted aggregate of +2% in 2010 (euro zone +1.6%). After a long period of growth, weaker global demand (i.e. lower exports) and reduced investment growth have triggered an abrupt need for consolidation. But the CEE countries should not be seen as a homogenous cluster of economies. They have grown moderately in line with the global economy in 2010, but the bandwidth for country-specific performance is significant. For 2011, Erste Group Research expects real GDP growth of +2.9% for the CEE8 again (vs. +1.3% for the euro zone), and +3.8% for 2012 (vs. +1.6% for the euro zone). This means the CEE region will fall short of the boom years prior to the crisis, but it will still grow more than twice as much as the euro area.

Government debt in CEE is significantly lower than the EU/euro zone average. Total government debt in Hungary, the Czech Republic, Slovakia, Romania, and Croatia (CEE5) amounts to EUR 220 billion and is therefore still lower than the sovereign debt

[1] CEE8 = Croatia, Czech Republic, Hungary, Poland, Romania, Serbia, Slovakia, Ukraine

of Greece alone (EUR 325 billion). If one were to include Poland (CEE6), the figure rises to EUR 428 billion, which is still significantly lower than the sovereign debt of Spain (EUR 677 billion) or Italy (EUR 1,842 billion). The fragile environment of high levels of government debt reveals yet again that CEE is "different". With an aggregate population of 52 million people, the CEE5 countries have only amassed about three-quarters of the debt of Greece whose population is only 11 million. The CEE6 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).

Current account balance (% of GDP)

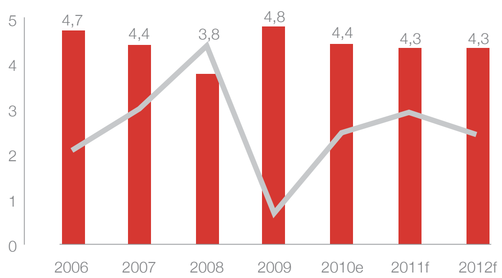


Equity market outlook

In an average, rather subdued year for equities, the ATX closed 2010 as one of the global outperformers (+16.39% versus year-end 2009). While international investors remain active, with trading volumes at below pre-crisis levels, they have generally remained underinvested as a result of the shaky equity environment. The high deficits and levels of government debt will cause further friction on financial markets, but the Central and Eastern European markets are set to benefit versus the major established markets. Furthermore, the ATX currently boasts an attractive valuation versus its international peers and also is historically backed by robust double-digit earnings growth rates. Austrian shares are also clearly much more attractive than government bonds in terms of yields. Overall, the Erste Group Research team expects a moderately friendly environment for equity trading in the year 2011.

Erste Group Research

Inflation outlook & unemployment



Current Developments on the Capital Market

wiener börse.at

Leading index	ATX
Performance 2010 (30 Dec 2009–30 Dec 2010)	+16.39%
Performance since 2006 (30 Dec 2005–30 Dec 2010)	(20.79)%
Equity market capitalization (30 Dec 2010)	EUR 93.94bn
Number of listed companies	110
Number of trading members	96
Number of securities (30 Dec 2010)	
▪ equity market	116
▪ bond market	3,657
▪ structured products	5,997
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

Vienna Stock Exchange upbeat in 2010

Following the year of crisis 2008 and the race to catch up in 2009, relative calm and cautious optimism returned to international financial markets in 2010 – and therefore also to the Vienna Stock Exchange. The leading index ATX continued to trend sideways at still high volatility throughout the year, but closed 2010 with a solid performance of +16.39% versus year-end 2009 at 2,904.47 points outperforming some major international indices.

The average monthly trading volumes remained unchanged at approx. EUR 6.1 billion despite competition from MTFs (multilateral trading facilities) and OTC trading. Market capitalization gained ground: It rose from EUR 79.51 billion as of year-end 2009 to EUR 93.94 billion on the last day of trading of 2010.

The economy is sending some encouraging signals again: Austrian companies released good news in 2010, with upwards revisions of earnings estimates and most of them announcing solid profits. Highly satisfactory were the capital increases carried out by KTM Power Sports AG, Warimpex Finanz- und Beteiligungs AG, HEAD N.V., EVN AG, VERBUND AG and DO & CO Restaurants & Catering AG. However, IPO-ready companies were still hesitant about going public, but this is true not only for Austria, but for a large number of stock markets throughout Europe.

Overall, the last year was one of increasing stabilization and normalization on stock markets. The predominant theme in 2010 – apart from the new plans for taxes on capital yields – was the discussion of the indebtedness of a number of states, which irritated markets participants and caused some bouts of volatility on international financial markets.

In this generally calmer market environment, the Vienna Stock Exchange can look back at a few milestones: In April 2010, the changeover of the derivative market to the Eurex® trading system of Deutsche Börse was completed. This system was already in use by the majority of participants of the cash market of the Vienna Stock Exchange. Now, market participants can trade on the derivatives market of the Vienna Stock Exchange without incurring any major additional technical expenses. In December, the CEGH Gas Exchange of the Vienna Stock Exchange started derivatives market trading one year after the launch of the cash market.

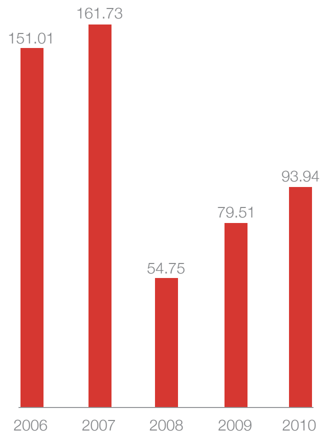
Apart from these major milestones, there were many achievements throughout the year that contributed to firmly establishing the Vienna Stock Exchange's international position. For example, the connection of eight new foreign trading participants to direct trading, the acquisition of more than 20 new data vending customers and the launch of eight indices of which the majority highlights the CEE competence of the Vienna Stock Exchange.

Analysts still assess the valuations of Austrian equities as fundamentally not too expensive and the P/E ratios for 2011 as quite attractive. These are strong arguments in favor of equity investments in addition to the currently low interest rates that permit only relatively small returns on alternative investments. Overall, the outlook of the capital market experts for the Vienna Stock Exchange may be assessed as very positive for the coming one to two years.

Key Figures of the Vienna Stock Exchange

Equity market capitalization 2006–2010

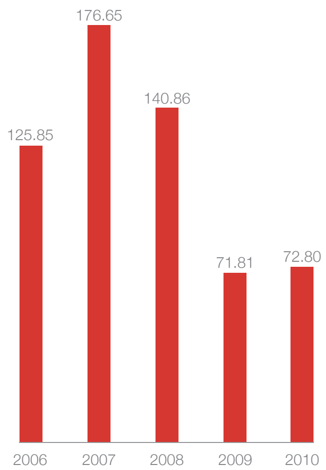
The positive performance of the leading index, ATX, reflects the development of market capitalization: It increased in 2010 from EUR 79.51 billion as of year-end 2009 to EUR 93.94 billion on the last day of trading of last year. This translates into a gain of 18.11%.



(in EUR bn / Source: FESE)

Domestic equity trading 2006–2010

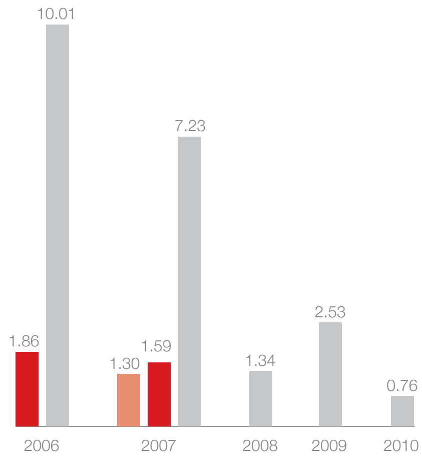
The average monthly trading volumes remained almost unchanged at approx. EUR 6.07 billion despite the competition of MTFs (multilateral trading facilities) and OTC trading.



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

New share issues 2006–2010

Insecurity still prevailed among IPO-ready companies – like in most countries of Europe – over going public. In 2010, no company took the step of going public in the light of the market conditions. The capital market was tapped for capital increases (EUR 763.6 billion) and for the issuance of corporate bonds (19 new listings with an issuing volume of EUR 2.3 billion).

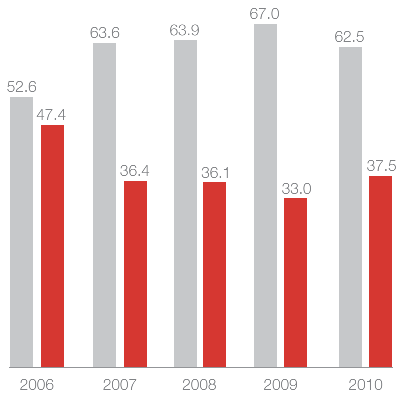


(in EUR bn / Source: Wiener Börse AG)

MTF
Capital increase
Initial public offering

Trading volume of national and international members 2006–2010

In 2010, eight new international trading participants were admitted to the Vienna Stock Exchange as direct trading members. As of year-end, 55 of the 96 trading members were foreign firms. They continue to account for around two-thirds of total trading volume in equities with a share of 62.5%.



(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
- bwin Interactive Entertainment AG
- ERSTE GROUP BANK AG
- EVN AG
- Flughafen Wien AG
- Intercell AG
- Mayr-Melnhof Karton AG
- OMV AG
- Österreichische Post AG
- Raiffeisen Bank International AG
- RHI AG
- Schoeller-Bleckmann AG
- Semperit AG Holding
- STRABAG SE
- TELEKOM AUSTRIA GROUP
- VERBUND AG
- VIENNA INSURANCE GROUP
- voestalpine AG
- Wienerberger AG
- Zumtobel AG

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

ANDRITZ

Business segment: Machinery and plant engineering

Market capitalization: EUR 3,577.08m

Free float: 71%

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 15% per year. All strategic measures of the Group are aimed at sustaining this long-time trend of profitable growth.

ERSTE

ERSTE GROUP

Business segment: Banking

Market capitalization: EUR 13,289.13m

Free float: 64.6%

ISIN Code: AT0000652011

Bloomberg: EBS AV

Reuters: ERST.VI

IR Officer: Thomas Sommerauer

www.erstegroup.com

ERSTE GROUP BANK AG

The Group's wide range of services include wealth formation, financing and insurance products targeted at retail customers and the segment of small and medium-sized businesses in the region of Central and Eastern Europe. The home market of Erste Group has a population of almost 120 million. The Group has acquired and successfully integrated more than ten banks in this region over the past ten years.

Business segment: Oil and gas

Market capitalization: EUR 9,290.00m

Free float: 48.5%

ISIN Code: AT0000743059

Bloomberg: OMV AV

Reuters: OMVV.VI

IR Officer: Angelika Altendorfer-Zwerenz

www.omv.com

OMV AG

OMV – the leading energy group in CEE – is active in the areas Exploration and Production (E&P), Refining and Marketing including petro-chemicals (R&M) as well as Gas and Power (G&P). The company has developed into the leading energy company in Central and Southeast Europe and is increasingly shifting investment activity to E&P and G&P as well as to power generation and renewable energy.

Business segment: Telecommunications

Market capitalization: EUR 4,660.36m

Free float: 71.6%

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 16,500 employees that serve some 22 million customers. Its extensive portfolio includes products and services in the areas of voice telephony, broadband internet, multi-media services, data and IT solutions, wholesale and payment solutions.

Business segment: Steel and manufacturing

Market capitalization: EUR 6,026.60m

Free float: 65%

ISIN Code: AT0000937503

Bloomberg: VOE AV

Reuters Code: VOES.VI

IR Officer: Peter Fleischer

www.voestalpine.com

voestalpine AG

voestalpine is a leading European steel and processing company and holds top positions in the area of steel, special steel, railway systems, special sections and automotive components. The group has 335 production and sales companies in over 60 countries and employs ca. 39.000 people worldwide. The manufacture of high quality flat steels makes it one of the leading suppliers to the automotive, white goods- and energy industries.

Czech Republic: Macroeconomic Outlook

The highly restrictive austerity measures will temporarily check economic growth in the Czech Republic. Nonetheless, with economic activity expected to pick up again in the second half of the year, the overall outlook for 2011 is bright for the Czech leading index, PX, at approximately +10%.

Country at a glance

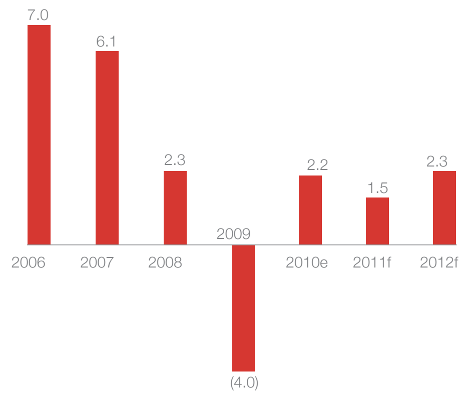
Official Language	Czech
Capital	Prague
Area	78,866 sqkm (2009)
Population*	10,506,813 (2010)
Nominal GDP*	EUR 137,161.5m (2009)
GDP per Capita in PPS (EU-27 = 100)*	82 (2009)
Currency	1 Czech Koruna = 100 Haler
Time Zone	UTC+1 CET UTC+2 CEST (March to October)
Internet Suffix	.cz
Country Code	+420

* Source: Eurostat

Economic outlook

Czech GDP grew by 1% in 3Q 2010 in comparison to 2Q, while y/y economic growth was 2.8% in 3Q. As growth was more robust than expected, we revised our 2010 growth estimates upwards. However, it will be different for 2011. The budget is very restrictive and we estimate its negative contribution to the rate of growth at -0.8 pp. The negative effects of fiscal austerity will affect primarily private consumption. Spending in 2011 on public sector wages will be cut by 8% nominally (compared to 2010), and as a consequence, we expect an increase in average unemployment by 0.5 pp in 2011. The private sector will not be able to absorb the layoffs from the public sector. According to our calculations, the missing wages will result in an annual real decline in private consumption by 0.4%. The spending cuts and their impact will be the worst in 1Q 2011 when we expect the q/q decline in GDP to reach 0.7%.

Real GDP (growth y/y %)



Fiscal outlook

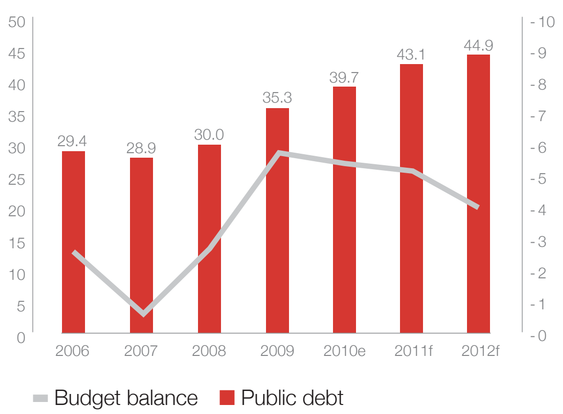
Fiscal policy in 2010 was slightly restrictive. The fiscal deficit moderated to 5.4% of GDP (Raiffeisen Research's preliminary estimate, the government's estimate is 5.1%), following 5.8% in 2009. The lower fiscal deficit was driven more by economic recovery (we estimate growth in 2010 at 2.2%, after a decline of 4% in 2009) than by lower expenditure. As regards taxes, central government tax revenues increased slightly by CZK 31 billion in 2010 or about 0.8% of GDP. The overall level of taxation remains low at 34% to 35% of GDP. The overall tax burden is some two percentage

Economic and fiscal data	2006	2007	2008	2009	2010e	2011f	2012f
Real GDP (growth y/y %)	7.0	6.1	2.3	(4.0)	2.2	1.5	2.3
Nominal GDP (EUR bn)	113.8	127.6	147.8	137.2	145.4	154.4	169.0
Fixed capital formation (real y/y %)	6.0	10.8	(1.5)	(7.9)	(1.4)	1.5	3.0
Private consumption (real y/y %)	5.2	4.9	3.4	(0.2)	0.7	(0.4)	1.5
Trade balance (EUR m)	2,292	4,341	4,127	6,832	6,523	7,881	9,218
Current account balance (% of GDP)	(2.4)	(3.2)	(0.6)	(1.0)	(2.7)	(2.1)	(2.7)
CPI (average y/y %)	2.5	2.8	6.3	1.0	1.4	2.1	2.3
Consumer prices (eop y/y %)	1.7	5.4	3.6	1.0	2.0	2.2	2.8
Unemployment (%)	8.1	6.6	5.4	8.1	9.0	9.2	8.8
General budget balance (% of GDP)	(2.6)	(0.7)	(2.7)	(5.8)	(5.4)	(5.1)	(4.0)
Public debt (% of GDP)	29.4	28.9	30.0	35.3	39.7	43.1	44.9
Industrial output (y/y %)	11.2	9.0	0.4	(13.4)	9.5	4.5	5.5
Official FX reserves (EUR bn)	23.9	23.7	26.6	28.9	32.0	35.0	39.0
EUR/LCY (average)	28.3	27.7	24.9	26.4	25.3	24.6	23.4

Source: Raiffeisen Research

points lower (in percentage of GDP) than in the period 2004 to 2007 when the total tax burden was about 37%. The decline in the total tax burden was driven by the 2008 tax cuts together with the decline in economic activity.

Budget balance & public debt (% of GDP)



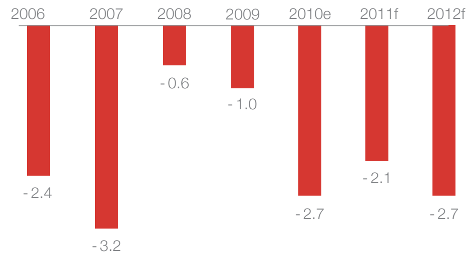
The fiscal and taxation outlook for 2011 looks better than in previous years. We expect the fiscal deficit to decline to 5.1%, which is in line with government plans to curb the deficit to below 3% of GDP by 2013. However, the 2011 budget is sharply restrictive. The cuts concentrate on the expenditure side again; the key items are the cut of 8% to the public sector wage bill and the extensive reductions of government expenditure in transportation infrastructure. These cuts will have negative consequences on growth: According to our calculations, the economy will slow by 0.8 pp due to austere fiscal measures. Therefore, we expect only 1.5% GDP growth in 2011.

As concerns taxation, there are no basic changes planned for 2011. The total tax burden will remain about the same. There will be a slight increase in personal income tax (due to the wider tax base) and possibly a hike of the lower VAT rate by about two percentage points out during the year.

The recession pushed the public sector debt up by about 10 pp. While the public sector debt was constant at approximately 30% of GDP from 2003 to 2008, it jumped to 39.7% of GDP in 2010 (preliminary estimate), and for the end of 2011, we project a rise to 43.1%. If the government's long-term fiscal consolidation plan is implemented (fiscal deficit at 3% in 2013, balanced public finances by 2015 to 2016), the increase of public sector debt would peak at little over 50% of GDP.

The decline in the growth rate in 2011 will cause the unemployment rate to go up. While the average unemployment rate was 9% in 2010 (registered unemployment; 7.4% according to ILO methodology), in 2011 we expect the unemployment rate to grow on average to 9.2% (or 7.7% according to the ILO methodology). The jump in unemployment will concentrate in the first quarter of the year when the layoffs in the public sector will occur. The private sector will not be able to absorb the labor force made redundant by the public sector.

Current account balance (% of GDP)



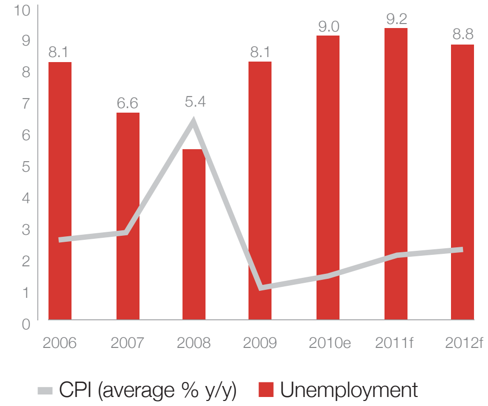
The increase in unemployment will have an adverse effect on retail sales and household consumption. While the household consumption grew by 1% in 2010, we expect a decline of 1% in 2011. The growth triggers for the Czech economy in 2011 will be private investment and net exports. We expect investments in fixed assets to revive after three years of decline and rise 1.5% in 2011.

As regards exports and imports, the trade surplus in 2010 was CZK 130 billion, i.e., 3.5% of GDP. This is lower than in 2009 (CZK 150 billion or 4.1% of GDP). The decrease in net exports in 2010 versus the previous year was caused by faster growth in imports than exports throughout 2010 (18.3% vs.16%, preliminarily). In 2011, this trend will reverse due to a greater decline in the growth rate of imports because of the decline in household and government consumption. Consequently, we expect the 2011 trade surplus to widen to the all-time high of CZK 155 billion, or 4.1% of GDP (the same figure as in 2009 but with a better structure).

Equity market outlook

The leading stock market index PX showed 2010 gains of nearly 10%. Companies like Komercní Banka (+13%), Unipetrol (+41%) and New World Resources (+68%) performed well, whereas CEZ (-9%) and Telefónica O2 C.R. (-9%) lost some ground in the last year. All in all the PX shows more or less a rather defensive sector allocation, which is observable in the fact that the utility company CEZ and the telecom provider Telefónica O2 C.R. represent more than 50% of the index (excluding the two Austrian companies Erste Group and Vienna Insurance Group). This has

Inflation outlook & unemployment



clear positive implications in times of growing risk aversion, but may serve to check developments when market sentiment starts to lean towards risky assets. Nevertheless, we have a favorable view of the PX development for the first quarter as well as for the whole year 2011. Compared to index peers like the Hungarian BUX or the Polish WIG 20 we see a relatively subdued uptrend in the first quarter, due in part to the defensive nature of the PX. Moreover, the government austerity measures starting from 1Q 2011 will result in a significant slowdown in economic growth. Due to the fact that we expect to see economic activity pick up again in the second half of the year, our year-end 2011 price target for the PX is roughly 10% higher than the current index level. It has taken until 2010 for some Czech companies (e.g. Unipetrol and New World Resources) to return to profitable operations which translated into aggregated earnings growth of nearly 50% (2010e), and that is why the outlook for earnings growth in 2011 is relatively bleak, at just 3%. Despite this, the reasonable 2011f P/E ratio of 11.4 and the traditionally very high dividend yield of 6% (2011f) are attractive aspects of investments in the Czech Republic.

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

Current Developments on the Capital Market

PRAGUE STOCK EXCHANGE
BURZA CENNÝCH PAPÍRŮ PRAHA

Leading index	PX
Performance 2010 (30 Dec 2009–30 Dec 2010)	+9.62%
Performance since 2006 (30 Dec 2005–30 Dec 2010)	(16.85)%
Equity market capitalization (30 Dec 2010)	EUR 31.92bn
Number of listed companies	27
Number of trading members	20
Number of securities (30 Dec 2010)	
▪ equity market	27
▪ bond market	130
▪ structured products	44
Legal framework	EU Capital Market Legislation, Capital Market Undertaking Act, Prague Stock Exchange Rules and Regulations

2010 was a year of dramatic changes for the Prague Stock Exchange. After long discussions, we succeeded in acquiring the Central Securities Depository for the Czech Republic as a subsidiary. Therefore, the Prague Stock Exchange now covers all areas of the capital market: the stock exchange, clearing and settlement, depository services, and the commodity market.

The Central Depository (formerly the Securities Centre) is, of course, burdened by the legacy of its predecessor that had been run by the state for 17 years. In the past four years, during which the institution was basically just waiting to be taken over by the stock exchange, the technological and operational gap between it and the vigorously growing European market widened to unimaginable dimensions. However, thanks to the alliance with a subsidiary of the stock exchange, the former UNIVYC clearing center, we consolidated operations of the depository in the second half of 2010. Despite this achievement, we and our members are still going to face some major challenges in the endeavor to raise settlement standards in the Czech Republic to a European level. The challenges will also affect capital market participants, but we will continue to follow our proven practice of intense consultation of the issues with market participants and our members.

The development of the capital market in 2010 shows all of the typical characteristics of a post-crisis period. Even though the Prague Exchange Exchange's leading index, PX, grew by 9.62% in 2010, stock market trading volumes only reached CZK 389.87 billion. As of the last trading day (30 December 2010), market capitalization amounted to CZK 1.39 trillion. Despite this encouraging growth in market capitalization, we must understand that the number of investors is still much lower than before the crisis, and those that have returned are not trading as lively.

In 2010, the main market of the Prague Stock Exchange welcomed two new stock issues: KIT digital, Inc. (KITD) and Fortuna Entertainment Group N.V. (FORTUNA). Although Fortuna also listed shares simultaneously on the Warsaw Stock Exchange, the success of the subscription demonstrated once again that the domestic market is the best venue for issues of Czech origin. Demand from the Czech Republic significantly exceeded orders from Poland. The last few placements clearly demonstrate that domestic markets should always be first choice as they ensures successful public offerings.

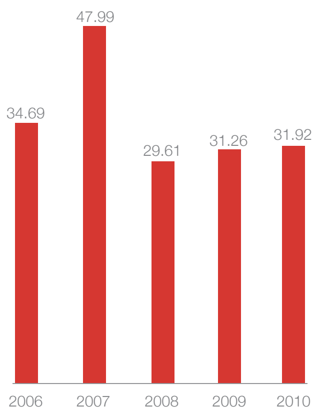
On the commodity market, our subsidiary POWER EXCHANGE CENTRAL EUROPE has been very successful in consolidating its strong position. By the end of the year, the number of market participants had reached 45, most of them dealing in electricity on all three markets organized by PXE: the Czech Republic, Slovakia and Hungary. We also plan to expand our operations into further countries in 2011.

Petr Koblic,
Chief Executive Officer of Prague Stock Exchange

Key Figures of the Prague Stock Exchange

Equity market capitalization 2006–2010

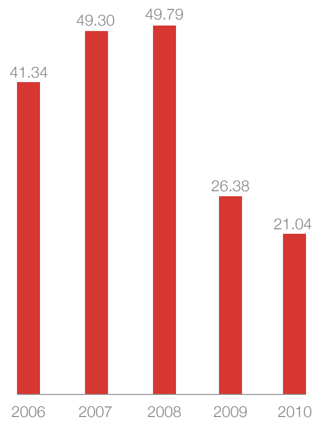
In 2010, market capitalization amounted to EUR 31.92 billion. If one takes the listings of foreign companies into account, market capitalization at year-end 2010 was EUR 55.03 billion.



(in EUR bn / Source: FESE)

Domestic equity trading 2006–2010

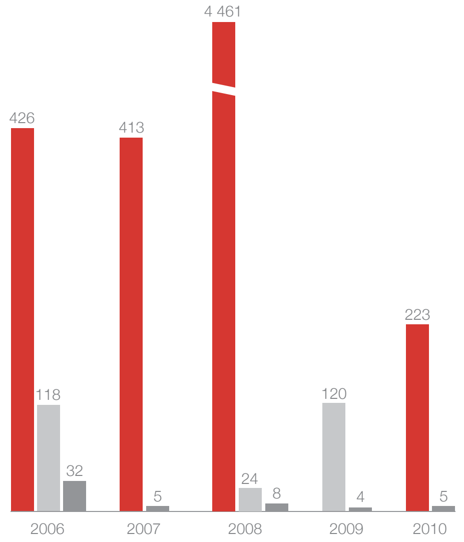
Trading in domestic equities was down by -20.24% in 2010. The trading volume of stocks, bonds and structured products (cash market) decreased again this year, i.e., down by 8.42% versus the previous year. However, y/y the decline was significantly slower.



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

New share issues 2006–2010

In 2010, two new stocks were added to the main market of the Prague Stock Exchange: KIT digital, Inc. joined the market with a dual listing in January and Fortuna Entertainment Group N.V. floated its shares in October. The total volume of subscribed shares was CZK 1.92 billion, making it one of the largest public offerings in the CEE region. In addition, six capital increases were carried out through the exchange.



(in EUR m / Source: Prague Stock Exchange)

Initial public offering
Capital increase
Secondary public offering

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 2010, 15 stocks were traded on the SPAD segment for securities with the highest liquidity on the market.

The PX includes the following companies:

- AAA
- CETV
- ČEZ
- ECM
- ERSTE GROUP BANK
- FORTUNA
- KITD
- KOMERCNÍ BANKA
- NWR
- ORCO
- PEGAS NONWOVENS
- PHILIP MORRIS CR
- TELEFÓNICA O2 C.R.
- UNIPETROL
- VIENNA INSURANCE GROUP

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

CEZ GROUP

Business segment: Power engineering
Market capitalization: EUR 16,699.54m
Free float: 30.2%
ISIN Code: CZ0005112300
Bloomberg: CEZ CP
Reuters: CEZP.PR
IR Officer: Barbara Seidlová

www.cez.cz

ČEZ, a.s.

CEZ Group is a vertically integrated electric utility based in the Czech Republic with operations in a number of countries in Central and South-eastern Europe and Turkey. The Group is active in the generation, distribution and supply of electricity and heat as well as in coal mining and gas sales. CEZ Group operates nuclear, coal and hydropower plants, which have low operating costs. It is currently investing in gas plants and renewable energy sources to reduce its emissions.

ERSTE GROUP

Business segment: Banking
Market capitalization: EUR 13,289.13m
Free float: 64.6%
ISIN Code: AT0000652011
Bloomberg: ERBAG CP
Reuters: ERST.PR
IR Officer: Thomas Sommerauer

www.erstegroup.com

ERSTE GROUP BANK AG

Erste Bank was founded in 1819 as the first Austrian savings bank. In 1997 Erste Group went public with a strategy to expand its retail business into CEE. Since then, Erste Group's customer base has grown through numerous acquisitions and organic growth to 17.4 million. 95% of all clients are citizens of the EU. EU membership gives the countries of the region a stable regulatory framework that supports their economic development. Today, Erste Group is one of the largest financial services providers in CEE in terms of clients and total assets.

Business segment: Banking

Market capitalization: EUR 6,682.8m

Free float: 39.6%

ISIN Code: CZ0008019106

Bloomberg: KOMB CP

Reuters: BKOM.PR

IR Officer: Jakub Černý

www.kb.cz

KOMERČNÍ BANKA, a.s.

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 393 branches throughout the Czech Republic. Together with the bank, the KB Group is formed by Modrá pyramida building savings bank, KB Pension Fund, ESSOX and other businesses. The KB Group serves a portfolio of 2.7 million clients. A 60% share in Komerční banka is controlled by Société Générale, France.

Business segment: Mining, processing of minerals and ores

Market capitalization: EUR 2,843.74m

Free float: 36.43%

ISIN Code: NL0006282204

Bloomberg: NWR CP

Reuters: NWRS.PR

IR Officer: Agnes Blanco Querido

www.newworldresources.eu

NEW WORLD RESOURCES N.V.

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. The coal is mined in the southern part of the Upper-Silesian coal basin, in the Ostrava-Karviná region. NWR's coke subsidiary, OKK Koksovny, a.s., is Europe's largest producer of foundry coke. NWR has two development projects in southern Poland, Debiensko and Morcinek, which form part of the company's regional growth strategy.

Business segment: Telecommunications

Market capitalization: EUR 4,871.25m

Free float: 30.59%

ISIN Code: CZ0009093209

Bloomberg: SPTT CP

Reuters: SPTT.PR

IR Officer: Jakub Hampl

www.o2.cz

TELEFÓNICA O2 CR, a.s.

Telefónica O2 Czech Republic is a leading integrated telecommunications operator on the Czech market. It operates nearly 7 million mobile and fixed lines, making it one of the largest providers of fully convergent services worldwide. The company offers the most comprehensive portfolio of voice and data services in the Czech Republic; it is also a leading provider of ICT services in the country. Through its subsidiary Telefónica O2 Slovakia, the company offers voice and data services in Slovakia.

Company Profile

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

By law it is a joint stock company, the largest shareholder of which is CEESEG Aktiengesellschaft with a 92.739% 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 supervises its operations and overall functioning. The Company is managed by the Chief Executive Officer, who is appointed and removed by the Exchange Chamber. Trading is conducted via licensed traders who are also trading members.

Results of Stock Exchange trades and other data are published at www.pse.cz and are also disseminated via information agencies and the media.

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

PSE and its subsidiaries form the PX group. In addition to the Stock Exchange, the most important members in the group are POWER EXCHANGE CENTRAL EUROPE (PXE) and Central Securities Depository Prague (CSDP). PXE was founded in 2007 and represents a new trade platform for trading electricity in the Czech Republic, Slovakia and Hungary. CSDP has a dominant position in the area of settlement of securities trades on the Czech capital market, keeps the central register of registered securities issued in the Czech Republic and allocates securities international identifying numbers (ISIN).

PSE is a member in the CEE Stock Exchange Group (CEESEG), which also includes three more Central European stock exchanges: Vienna Stock Exchange (Wiener Börse), Budapest Stock Exchange (Budapesti Értéktőzsde) and Ljubljana Stock Exchange (Ljubljanska borza). The Group entered international stock exchange markets as a new and strong player in September 2009. Accounting for nearly one half of the total market capitalization and nearly two thirds of all trading share transactions in Central and Eastern Europe, the CEESEG Group is the largest stock exchange player in the region. From a single point the Group provides access to information on four markets with an outlook of high long-term growth.

Highlights of 2010

6 January 2010

A spot auction for electricity with a point of supply in Hungary is introduced as part of trading at POWER EXCHANGE CENTRAL EUROPE (PXE), a subsidiary of PSE.

25 January 2010

Trading the issue of KITD shares (ISIN US4824702009) of KIT digital, Inc. is commenced. The shares are traded simultaneously at PSE and NASDAQ.

1 February 2010

PXE commences futures trading with financial settlement. Products without physical supply but only with financial settlement against a future spot price are added to existing products with physical settlement.

2 July 2010

Central Securities Depository Prague (CSDP), a subsidiary of PSE, takes over the registers of the Prague Securities Centre (PSC) and begins to operate as the central securities depository.

22 October 2010

Trading the issue of shares of Fortuna Entertainment Group N.V. (FORTUNA, ISIN NL0009604859) on the main market is successfully launched.

Key Annual Data

	2010	2009	2008	2007	2006	2005	2004
Number of Exchange Days	252	250	252	250	251	253	252
SHARES							
Total volume of trades (CZKbn)	389.9	463.9	852.0	1,013.0	848.9	1,041.2	479.7
Average total daily volume (CZKm)	1,547.1	1,855.4	3,381.1	4,052.1	3,382.1	4,115.3	1,903.4
Market capitalization (CZKbn) – shares (year end)	1,388.0	1,293.5	1,091.7	1,841.7	1,592.0	1,330.8	975.8
Number of share issues (year end)	27	25	28	32	32	39	55
PX index (year-end)	1,224.8	1,117.3	858.2	1,815.1	1,588.9	1,473.0	1,032.0
BONDS							
Total volume of trades (CZKbn)	529.9	585.7	643.2	508.9	598.9	533.2	692.5
Average total daily volume (CZKm)	2,102.8	2,342.8	2,552.2	2,035.4	2,386.1	2,107.7	2,747.9
Number of bond issues (year end)	106	116	121	132	110	96	79
OTHER PRODUCTS							
INVESTMENT CERTIFICATES AND WARRANTS							
Total volume of trades (CZKm)	170.2	261.1	469.1	1,229.5	5.2		
Quantity of issues – end of period	42	67	49	41	8		
FUTURES							
Total volume of trades (CZKm)	189.7	201.6	688.9	1,879.9	32.2		
Quantity of series – end of period	6	6	6	6	2		

Shares – the data refer to shares and participation certificates up till 2002

Trading and Securities

Towards the end of 2010, the Stock Exchange traded 27 share issues, 106 bond issues, 24 voucher issues, 44 certificate or warrant issues, and 6 future issues.

Two share issues were accepted to the main market during 2010. The first of these was shares of KIT digital, Inc. with a dual listing on the Prague Stock Exchange. NASDAQ is the primary stock exchange for KIT digital, Inc. The second issue was shares of Fortuna Entertainment Group N.V., which can also be traded on the Warsaw Stock Exchange. As part of its IPO, Fortuna Entertainment Group N.V. offered two million new shares and 16.2 million existing equity shares and opted for the conditional mode of trading.

Apart from the release of three new issues of government bonds, the trading of 21 tranches of government bonds also commenced. As many as eight bond issues and eight investment certificate issues were accepted on the free market. The trading of bonds issued by the city of Liberec began in July. After the bonds of the city of Prague, these bonds were the second community bond issue traded on the exchange.

UniCredit Bank ended operations as a warrant issue specialist on 1 July 2010. Since then, warrants can only be traded as automatic trades.

Changes were made to the stock exchange system in September 2010 in connection with harmonising stock exchange rules in Europe. A new time priority index is assigned to “iceberg” orders (the displayed amount of securities) in partial matching.

Information and Trading System

The main effort of the IT division in 2010 was focused on preparing systems for the launch of the Central Securities Depository Prague (CSDP) and further developing these systems after the launch. Much attention was also paid to further technology development of the systems of the PSE holding, especially in terms of increasing the information system and data security standard. Also, extending the functionality of the systems of POWER EXCHANGE CENTRAL EUROPE (PXE) continued.

Preparing systems for the launch of CSDP was the most extensive and demanding task in 2010. These preparations involved designing and testing the transfer of the current registers of the Prague Securities Centre (PSC) from the PSC's systems to the CSDP's systems without any major limitation to capital market operation and developing and interconnecting many new systems and carrying out application integration with the CSDP environment. Working with Asseco Central Europe, Styrax, and Your Systems, new systems were developed: the archiving and analytical system (AAS) to store historical data; the Information Service Broker (ISB) to serve the purpose of the central system for collecting and dealing with requests and queries of authorised users (especially central government and issuers); the filing office (EES) to record and deal with queries received or sent by paper post, e-mail and the data mailbox system; an invoicing module linked to the accounting system; etc. The integration consisted in making changes to the current settlement systems and securities registration systems and linking to all other systems (besides those above, the system of PSC Basic Registration providing historical data prior to the launch of CSDP; the ISS system providing basic information about issuers and participants in CSDP; the system of the Czech National Bank; the system of RM-System; related registers; the data mailbox system; the accounting systems; etc.) in order to automate all operations. An issue in interconnecting all these systems was also the distribution of various systems to two distant places.

After the successful launch of CSDP, work progressed on cleaning the data in CSDP databases and further developing and automating interconnections among all systems in order to enhance efficiency and reduce difficulties in dealing with queries from authorised users. These activities will continue in 2011. Also, a project to transfer historical registration data from the PSC's systems into the CSDP's systems is planned for 2011.

At the end of the year, a joint project with the Ministry of Finance of the Czech Republic was commenced to provide technical support for keeping records of the retail bonds to be subscribed by the ministry in 2011.

After the beginning of the year the IT department started analytical work on migrating from the current trading system of PSE to the Xetra® system. Due to new circumstances and upon agreement with the Vienna Stock Exchange implementation work has been postponed (plans for a new software version and a new data interface). Work is expected to resume in the second half of 2011, with trading expected to commence in 2012.

Much attention was paid in 2010 to increasing information and data security in the systems of the Stock Exchange holding. A programme of measures was developed on the basis of comments from the Czech National Bank, and implementation of these measures was begun. Worthy of mention among major projects is one for a separate working environment; the core of the project is that selected employees working with confidential information will have two independent environments installed on their computers (a standard environment and a secure environment implemented by means of a virtual desktop). The solution as designed will ensure a strictly logical separation of both environments, between which information and data cannot be shared; also, the system administrator can use a system of rules to limit access to all sources and outputs, such as CD, USB, printers, etc., in the secured environment. In this manner work with confidential information and its protection can be managed. The solution built on modern desktop virtualisation technologies was tested and will be used in live operations in early 2011.

The year 2010 saw the continuation of work on preparing internal standards related to operations and security in accordance with the information security management system project already in progress. Encouraging results included the adoption of a range of standards at the end of the year and the effective use of the electronic system for recording operating and security events and incidents. Modern technologies of certificates, electronic signature and time stamps are now being used to a larger extent, along with migration to the recommended SHA-2 hash algorithm. During the course of the year the system for the automated collection and assessment of operating and security events from various systems, the so-called log concentrator, was supplemented with a reporting module. The system will be put into practice in early 2011. The purpose is to increase automated supervision over the group's entire technical infrastructure.

A patch software cumulative pack for the main iSeries computing platform was installed in October and November. The migration process was well-prepared and was carried out without any undesired impact on the operation of the holding's systems. At the very end of the year, penetration tests performed by an external company did not identify any serious deficiencies regarding Internet connection safety. In early 2010, the operation of transferring trading data (real data, trading results, data regarding issuers) from the Prague Stock Exchange to the Vienna Stock Exchange in the format of the FIX protocol commenced.

During the first half of the year, the IT Division provided PXE with the connection of the PXE spot energy market trading Hungarian instruments with the Austrian system EXAA. Built on the Eclipse platform, a new generation of the front-end software PXE Monitor was implemented at the beginning of the year. The application also continued to be developed over the year in order to raise user comfort (displaying on the screen as much top priority information as possible and allowing prompt and intuitive access to other information) and provide even better security against potential user errors.

In the second half of the year, the operation of transferring trading data from PXE to the Vienna Stock Exchange in the format of the FIX protocol commenced. At the same time, a new faster and more reliable FIX engine developed by the Stock Exchange was introduced. Work on support for the conversion of financial futures into physical supplies commenced towards the end of the year. This project was implemented in conjunction with OTE, whose system had to be adjusted to this task. Towards the end of the year, the PXE web site was re-designed using a new graphic design that meets all marketing requirements for a modern web presentation. The presentation of trading data in graphs has been significantly improved using interactive flash graphs.

Inspection Activities

In mid 2010 the Exchange Chamber decided to make changes to regulating Exchange members, especially as regards the rules for dealing with clients and maintaining trading documentation. Along with that, a decision was made to change the focus and the forms of inspection activities. These decisions also resulted in changes in the relevant parts of the Exchange Rules. The Exchange Chamber cancelled in-depth and repeated inspections involving member meetings in the full range of their activities that were identical in content with the inspections conducted by the national oversight by the Czech National Bank. Part XX of the Exchange Rules - "Rules Applicable to the Maintenance of Records on Instructions, Transactions, Securities, Investment Instruments other than Securities and/or other Capital Market Instruments" - was cancelled completely.

The inspection department staff was reduced from four to two members. These changes resulted in less paper work for trading members and a maximum harmonisation of the practices and the legislation related to inspection activities of the Exchange with the practices used in the capital market in the EU. The change to the new organisational rules applicable since 1 November 2010 cancelled the inspection department as a separate department and all its activities (inspections and member-related matters) were transferred to the trading and securities department.

Analytical monitoring continues to be the basic form of inspection used in conjunction with other types of investigation in order to continually search and examine trades in which Exchange Rules and the generally binding regulations may be violated. Inspection software is critical to inspection activities. This software not only provides for inspector access to all data regarding the trading system of the Exchange, but also contains selected functions for detecting regulation violations. The priority of inspections is to timely detect events in which regulations are violated, thus minimizing detrimental consequences, and to identify causes and adopt adequate remedial measures in cooperation with the members. The Stock Exchange's inspection activities are based on continuous analytical monitoring, including daily supervision and analysis of the exchange trade system data, together with follow-up communication with members regarding the indicated breach of Stock Exchange rules. In 2010, approximately 500 cases were investigated in this manner.

Only pending in-depth and repeated inspections were completed in 2010, in accordance with the Exchange Chamber's decision. The instances of violated Exchange Rules particularly concerned market transparency issues (such as orders with a high limit price deviation from the rate, failures to comply with trade registration deadlines, unauthorised own trades, orders entered in final auction immediately prior to or in randomisation to a significant number of securities, significant limit price deviations, insider trading, etc.) and professional care for customers in rendering investment services (such as the method of executing customer instructions by instruction type, the amount of customer information about how each type instruction was executed, speculation with customer instructions, compliance with the best price rule, avoidance of conflict of interests, etc.) member activity documentation (missing records of modified instructions, improper alignment of non-trading transfers to instruction or trade records). An absolute majority of the identified breaches of Stock Exchange Rules was resolved between the inspection team and the member, in the form of measures adopted by the members. The Exchange continued the practice of discussing the results of inspections at the Stock Exchange Membership Committee, which responded to significant violations of rules in the form of the Committee Chairperson's letter informing offenders of the identified deficiencies and requesting that corresponding measures be adopted. The character of the violations of the Stock Exchange regulations and the attitude of individual members towards remedying the deficiencies did not require any sanctions to be imposed.

The Stock Exchange had a total of 19 members as of 31 December 2010. The law authorizes two additional parties to enter into Exchange trades (the Czech National Bank and the Czech Ministry of Finance).

Financial Results of Economic Activities

Income Statement

(CZK'000)	Y 2010	Y 2009	Y 2008
Revenues from business activities	241,390	256,302	340,415
Operating expenses	133,637	132,379	163,548
Operating profit	107,753	123,923	176,867
Financial profit	24,886	26,803	136,631
Profit before income tax	132,639	150,726	313,498
Income tax expense	17,997	26,375	57,109
Net profit (comprehensive income) for the period	114,642	124,351	256,389

Statement of Changes in Equity and Financial Position

(CZK'000)	Y 2010	Y 2009	Y 2008
Share capital	265,216	265,216	265,216
Shareholder's equity	430,849	434,493	564,749
Statutory reserve fund and other capital funds	50,961	44,743	31,923
Retained earnings	114,672	124,534	267,610
Earnings per Share "EPS" (net profit / number of shares)	43.2%	46.9%	96.7%

Settlement of Exchange Trades

The settlement system to settle both exchange and OTC trades with securities is operated by Central Securities Depository Prague (CSDP), a 100% subsidiary of PSE. CSDP also keeps the central register of registered securities issued in the Czech Republic and allocates securities international identifying numbers (ISIN) to investment instruments.

CSDP ensured settlement via payment orders sent to the Czech National Bank Clearing Centre (CC CNB). In 2010 CSDP sent approximately 269 thousand orders to the CC CNB, in the total volume of CZK 3,794 billion, up by 20.5% over the previous year. The volume of securities exchange trades and OTC transactions settled by CSDP in 2010 reached the value of CZK 3,666.9 billion, an increase by 18.7% over 2009. In spite of the increase in settled trades as compared to 2009, this has been the second worst performance since 2005, the reason for which can be attributed to the world financial crisis. CSDP's share in the volume of all settled trades and transactions on the Czech capital market continues to be 99.8%. Out of the total volume of transactions settled by the central depositor, exchange trades and OTC transactions accounted for 24.6% and 75.4%, respectively.

Corporate Responsibility

PSE is also involved in activities other than those corresponding to its primary mission. The sponsorship of education is one of the activities. PSE contributes to the education of students by offering lectures. There has been a tradition in visits by students of secondary schools and universities to the Exchange building, where capital market experts explain how the Prague Stock Exchange is run and operated. In this way the Exchange is visited by approximately one thousand young people each year. PSE officers give regular lectures at universities.

The collaboration between the Exchange and the Jan Hus Foundation has become a tradition. In past years our company supported the contest Ius et Societa organized by the Faculty of Law at Masaryk University and the Jan Hus Education Foundation in cooperation with the Constitutional Court of the Czech Republic, the Supreme Court of the Czech Republic, the Supreme Administrative Court of the Czech Republic, the Supreme Public Prosecutor's Office of the Czech Republic and the Public Defender of Rights. Prizes are awarded every year for essays presenting the most interesting suggestions, views and questions relating to the role of law and justice in society. The contest is open to students in M.A., B.A. and post-graduate study programmes at all universities. In 2011 the Exchange decided to continue collaboration with this foundation, this time by supporting the Jan Hus Foundation scholarship. The purpose of this project is support universities, young university teachers and post-graduate students in particular.

Also paying attention to elderly people, the Exchange granted a gift to the Sue Ryder Foundation for the care of old and ill people. Our company has also been considering other opportunities and intends to continue with this beneficial activity.

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 2010: 10

Exchange Chamber Chairperson
and Chief Executive Officer of Prague Stock Exchange:
Petr Koblic, date of birth 22 February 1971
Office existing since: 8 August 2007
Membership on Board existing since: 25 June 2007

Exchange Chamber Vice-Chairperson:
Michael Buhl, date of birth: 18 February 1959
Membership existing since: 8 December 2008

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

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

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

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

Changes in 2010:
None

Supervisory Board

Supervisory Board Members:
Jaroslav Míl, date of birth: 10 August 1958
Confederation of Industry of the Czech Republic
Membership existing since: 9 June 2005

Milan Šimáček, date of birth: 25 June 1963
Exportní, garanční a pojišťovací společnost, a.s.
Membership existing since: 14 June 2007

Martin Roman, date of birth: 29 October 1969
ČEZ, a. s.
Membership existing since: 10 June 2010

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

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

Changes in 2010:
New member of the Supervisory Board as of 13 April 2010:
Jan Sýkora, date of birth: 18 January 1972
Wood & Company investiční společnost, a.s.
Membership existing since: 20 April 2010

Resignation of a member of the Supervisory Board as of 20 April 2010:
Zdeněk Bakala, date of birth: 7 February 1961
New World Resources N.V.

Re-election as of 10 June 2010:
Martin Roman, date of birth: 29 October 1969
ČEZ, a. s.

Exchange Membership Committee

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

Chairperson
Jiří Opletal, Prague Stock Exchange

Vice-Chairperson
Alena Vodičková, Patria Finance, a.s.

Secretary
Vladimír Skalný, Prague Stock Exchange

In 2010 the Membership Committee held one meeting. The Membership Committee discussed the results of inspections among trading members and the findings of the analytical monitoring submitted by the Exchange Inspection Division. The Membership Committee focused especially on the issues of possible market misuse, where an emphasis was placed on market transparency, the prevention of manipulation and misuse of internal information. The Committee also considered the members' asset stability and the level of the professional care granted to investors by trading members. The Committee responded to cases of significant rules violations with a letter from the Committee Chairperson reporting the identified deficiencies and requesting that appropriate measures be adopted. With respect to the character of Stock Exchange regulations violations and the measures adopted by the members to remedy the deficiencies, the Committee did not make use of its authority to impose sanctions in 2010.

Exchange Trades Committee

The Exchange Trades Committee put to vote changes to trading parameters in the past year. In January and October voting was held on accepting new issues of KIT digital and those of FORTUNA to SPAD and setting their trading parameters. A major discussion about longer trading hours was held in the committee in January. This discussion produced a recommendation to the Exchange Chamber that new trading hours be approved and valid as of February 2011.

Chairperson:

Jiří Opletal	Prague Stock Exchange

Members:

Michal Března	Česká spořitelna, a.s.
Jiří Deml	UniCredit Bank ČR, 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.
Tomáš Sattler	Komerční banka, a.s.
Richard Skácel	Raiffeisenbank a.s.
Lubomír Vystavěl	ING BANK N.V. (CZ)
Jan Pavlík	Wood and Company Financial Services, a.s.

Changes in 2010:
In February changes occurred with respect to committee seats. Vice-chairperson Jiří Opletal was appointed chairperson and representatives of WOOD & Company FS - Filip Kejla and Jan Pavlík – were appointed new members.

Listing Committee
Exchange Committee for an Accelerated Listing Proceeding

Chairperson of both Committees
Petr Koblic, Prague Stock Exchange

The Listing Committee has 13 members and issues decisions regarding the acceptance of securities for trading on the main market. The Listing Committee put to per-rollam vote the acceptance of two share issues in 2010, both of which were foreign shares. An issue of shares of KIT digital, Inc. was accepted for trading in January. KIT DIGITAL's shares are also traded on NASDAQ. An issue of shares of Fortuna Entertainment Group N.V. was accepted in October. The company offered new as well as existing shares as part of the initial public offering.

The Exchange Committee for an Accelerated Listing Proceeding decides on the acceptance of individual bond programme issues for trading and of individual tranches already accepted for trading on the main market. The Exchange Committee for an Accelerated Listing Proceeding has three members. The committee held one regular meeting in 2010, adopting a decision to accept a tranche of shares issued by ERSTE GROUP BANK AG.

Security Committee
Internal Audit Committee

In December 2010 Prague Stock Exchange along with Central Securities Depository Prague and POWER EXCHANGE CENTRAL EUROPE set up a joint Security Committee for the purpose of the implementation, maintenance and continuous improvement of the Information Security Management System. The committee's primary task will be to continually assess the ISMS internal security standards, enforce information security and discuss the standards of ensuring the continuity of activities.

At the same time a joint Internal Audit Committee was set up for the independent and objective execution of internal auditing in all the aforementioned companies.

Exchange Shareholders

Shareholders of Prague Stock Exchange as of 31 December 2010

	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. *)	40	0.015%
8	Merx, a.s. *)	20	0.008%
9	Moravia Banka, a.s. v likvidaci *)	500	0.189%
10	CEESEG Aktiengesellschaft	245,958	92.739%

*) not a trading member of the Stock Exchange; does not have the right to participate in Stock Exchange trades

Trading Members

There were 20 trading members as of 1 January 2010. The membership of Global Brokers, a.s. and CAPITAL PARTNERS a.s. was terminated by notice as of 20 December 2010 and 31 December 2010, respectively.

- ATLANTIK finanční trhy, a.s.
- BH Securities a.s.
- CAPITAL PARTNERS a.s.
  (Expiry of Membership on the date 31 December 2010)
- 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
- Fio banka, a.s.
- Global Brokers, a.s.
  (Expiry of Membership on the date 31 December 2010)
- ING Bank N. V.
- 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.

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 2010

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

the Controlling Undertaking, **CEESEG Aktiengesellschaft,** with registered office at Wallnerstraße 8, 1010 Vienna, entered in the Commercial Register maintained by Handelsgericht Wien, FN 161826f ("Controlling Undertaking" or "CEESEG")

and

the Controlled Undertaking, **Burza cenných papírů Praha, a.s.**, with 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 ("Controlled Undertaking" or "PSE")

in fiscal year 2010.

The Report also provides information regarding the relationships between the Controlled Undertaking and other affiliated undertakings. These are:

- **Wiener Börse AG**, with registered office at Wallnerstraße 8, 1014 Vienna, Austria ("WB"),

- **Ljubljanska borza, d. d., Ljubljana**, Slovenska 56, 1000 Ljubljana, Slovenia ("LB"),

- **Budapest Stock Exchange**, with registered office at H - 1364 Budapest, Pf. 24., Hungary ("BSE").

The Controlling Undertaking held on 31 December 2010 a 100% interest in WB, a 81.01% interest in LB and a 50.45% interest in BSE.

The Report provides a list of agreements entered into between these undertakings during fiscal year 2010, other legal actions taken 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 request of such undertakings.

The Report is issued in writing and is included in the Annual Report, in accordance with the applicable regulations.

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

- **Central Clearing Counterparty, a.s.**, with registered office at Prague 1, Rybná 14/682, ID No.: 28381696;
- **Energy Clearing Counterparty, a.s.**, with registered office at Prague 1, Rybná 682/14, ID No.: 28441681;
- **CENTRAL COUNTERPARTY, a.s.**, with registered office at Prague 1, Rybná 14/682, ID No.: 27122689;
- **Centrální depozitář cenných papírů, a.s.**, with registered office at Prague 1, Rybná 14, ID No. 25081489;
- **POWER EXCHANGE CENTRAL EUROPE, a.s.**, with 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 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 fiscal year 2010; on the basis of previous agreements the following performance was provided:

Agreement entered into on	Agreement title	Description	Payment provided (incl. VAT)
18 August 2009	Data Vending Cooperation Agreement	Cooperation relating to the trading of information	EUR 36.8 thousand
1 July 2009	FRAMEWORK AGREEMENT - INDEX LICENSING BUSINESS	Framework agreement relating to the trading of indexes	0
11 February 2009	Use free of charge the PSE data transmitted via Thomson Reuters	Trading of Stock Exchange information	0
20 August 2009	Licence agreement	Granting of a licence for the use of logos	0

Between WB and the Controlled Undertaking were neither made any agreements during fiscal year 2010 nor any consideration was provided.

Between LB and the Controlled Undertaking were neither made any agreements during fiscal year 2010 nor any consideration was provided.

Between BSE and the Controlled Undertaking were neither made any agreements during fiscal year 2010 nor any consideration was provided.

Legal Acts and other Measures

On 20 April 2010 Burza cenných papírů Praha, a.s. held a General Meeting of Shareholders, adopting the following decisions:

- Approval of the Report on the Business Operations of the Exchange and the Balance of Exchange Assets in 2009;
- Approval of regular Exchange financial statements and the decision regarding the allocation of profits;
- Approval of the 2009 Consolidated Financial Statements;
- Approval of the 2010 Exchange Principles of Operation and Management;
- Mr. Jan Sýkora and Mr. Martin Roman were elected members of the Supervisory Board;
- Approval of the Exchange Chamber Member Incumbency Agreement, together with the amount and form for remunerations to Exchange Chamber members for the period from the General Meeting date to the date on which a regular General Meeting of shareholders is held in 2011;
- Discussion on Supervisory Board Report on Control Activities, including Audit Report and Report on Affiliated Entities.

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

The Exchange Chamber of 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.

Petr Koblic
Exchange Chamber Chairman

Helena Čacká
Exchange Chamber Member

Report of the Supervisory Board regarding Inspection Activity Submitted for Approval by 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

During its meeting held on 12 April 2011, the Supervisory Board discussed the "Report on the Business Operations of the Exchange and the Balance of Exchange Assets in 2010". The Supervisory Board has no comments regarding 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 2010 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 2010 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 2010 Consolidated Financial Statements, the Regular Financial Statements and the proposal of the Stock Exchange Chamber 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 424 per share, and recommends that the payment of the dividend in this amount be approved by the General Meeting of Shareholders.

On 12 April 2011

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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 financial statements of Burza cenných papírů Praha, a.s. ("the Company") for the year ended 31 December 2010 disclosed on pages 64 – 93 ("the financial statements") and issued the opinion dated 15 March 2011 and disclosed on pages 62 – 63. We have also audited consolidated financial statements of the Company for the year ended 31 December 2010 disclosed on pages 96 – 134 and issued the opinion dated 15 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 2010. 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 2010 contains material factual misstatements.

Annual report

We have audited the consistency of the annual report disclosed on pages 32 - 134 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.

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

Prague
18 April 2011

KPMG Česká republika Audit

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

Pavel Závitkovský
Partner
Licence number 69

Financial Part

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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 2010, 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.

KPMG

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 2010, and of its expenses, revenues and net result and its cash flows for the year then ended in accordance with Czech accounting legislation.

Prague
15 March 2011

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

Pavel Závitkovský
Partner
Licence number 69

Balance Sheet as at 31 December 2010

(CZK '000)

ASSETS		31 December 2010 Gross	Adjustment	Net	31 December 2009 Net
B.	**Fixed assets**	**225,483**	**(105,922)**	**119,561**	**127,320**
I.	**Intangible fixed assets**	**46,525**	**(44,020)**	**2,505**	**4,875**
3.	Software	42,456	(40,232)	2,224	2,919
6.	Other intangible fixed assets	3,900	(3,788)	112	1,787
7.	Intangible fixed assets under construction	169	–	169	169
II.	**Tangible fixed assets**	**61,858**	**(57,902)**	**3,956**	**8,855**
3.	Individual movable assets and sets of movable assets	61,858	(57,902)	3,956	8,849
7.	Intangible fixed assets under constructions	–	–	–	6
III.	**Non-current financial assets**	**117,100**	**(4,000)**	**113,100**	**113,590**
1.	Equity investments in subsidiaries	117,100	(4,000)	113,100	113,590
C.	**Current assets**	**327,287**	**(2,394)**	**324,893**	**320,326**
II.	**Long-term receivables**	**620**	**–**	**620**	**393**
5.	Long-term prepayments made	57	–	57	49
8.	Deferred tax asset	563	–	563	344
III.	**Short-term receivables**	**213,160**	**(2,394)**	**210,766**	**71,940**
1.	Trade receivables	25,707	(2,394)	23,313	13,659
2.	Receivables – group undertakings	180,086	–	180,086	40,971
4.	Receivables from shareholders/owners	2,262	–	2,262	3,646
6.	Tax receivables	3,716	–	3,716	13,048
7.	Short-term advances paid	156	–	156	155
8.	Estimated receivables	1,212	–	1,212	435
9.	Other receivables	21	–	21	26
IV.	**Current financial assets**	**113,507**	**–**	**113,507**	**247,993**
1.	Cash	129	–	129	44
2.	Bank accounts	84,390	–	84,390	63,172
3.	Short-term securities and investments	28,988	–	28,988	184,777
D.	**Deferrals**	**5,780**	**–**	**5,780**	**7,159**
1.	Prepaid expenses	5,725	–	5,725	6,887
3.	Accrued revenues	55	–	55	272
TOTAL ASSETS		**558,550**	**(108,316)**	**450,234**	**454,805**

(CZK '000)

EQUITY AND LIABILITIES		31 December 2010	31 December 2009
A.	**Equity**	**430,849**	**434,493**
I.	**Share capital**	**265,216**	**265,216**
1.	Share capital	265,216	265,216
III.	**Statutory reserve fund**	**50,961**	**44,743**
IV.	**Retained earnings**	**30**	**183**
V.	**Profit for the current period**	**114,642**	**124,351**
B.	**Liabilities**	**19,308**	**20,150**
I.	**Provisions**	**1,398**	**2,379**
4.	Other provisions	1,398	2,379
II.	**Long-term liabilities**	**13**	**13**
5.	Long-term advances received	13	13
III.	**Short-term liabilities**	**17,897**	**17,758**
1.	Trade payables	1,502	3,655
4.	Liabilities to shareholders/ owners	–	789
5.	Liabilities to employees	5,995	8,165
6.	Liabilities for social security and health insurance	2,907	1,352
7.	State - tax payables	3,720	1,813
8.	Short-term advances received	120	380
10.	Estimated payables	3,417	1,376
11.	Other payables	236	228
C.	**Accruals**	**77**	**162**
1.	Accruals	37	102
2.	Deferred revenue	40	60
TOTAL EQUITY AND LIABILITIES		**450,234**	**454,805**

Income Statement for the Year ended 31 December 2010

(CZK '000)

			Year ended 2010	Year ended 2009
II.		Revenue from own products and services	241,363	253,458
	1.	Revenue from own products and services	241,363	253,458
B.		Cost of sales	51,520	43,631
	1.	Raw materials and consumables	1,671	2,052
	2.	Services	49,579	41,579
+		**Added value**	**190,113**	**209,827**
C.		Personal expenses	68,014	82,302
	1.	Wages and salaries	47,671	64,015
	2.	Remuneration of board members	2,256	1,962
	3.	Social security and health insurance expenses	14,379	11,768
	4.	Other social costs	3,708	4,557
D.		Taxes and charges	101	115
E.		Depreciation of fixed assets	9,641	11,517
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	(999)	(14,292)
IV.		Other operating revenues	25	2,844
H.		Other operating expenses	5,630	9,106
*		**Operating profit**	**107,753**	**123,923**
VI.		Proceeds from sale of securities and ownership interests	46,782	30,568
J.		Securities and shares sold	46,563	30,549
VII.		Revenue from long-term investments	20,000	20,000
	1.	Revenue from investments in group undertakings and associated companies	20,000	20,000
VIII.		Revenue from short-term financial investments	2,765	6,880
K.		Loss on investments	616	1,802
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	1,958
X.		Interest income	4,547	4,319
N.		Interest expense	158	–
XI.		Other financial revenues	328	619
O.		Other financial expenses	1,729	1,274
*		**Financial profit**	**24,886**	**26,803**
Q.		Tax on profit on ordinary activities	17,997	26,375
	1.	- current	18,216	22,970
	2.	- deferred	(219)	3,405
	**	**Profit from ordinary activities**	**114,642**	**124,351**
	***	**Profit for the current period**	**114,642**	**124,351**
	****	**Profit before tax**	**132,639**	**150,726**

Cash Flow Statement Year ended 31 December 2010

(CZK '000)

			Year ended 2010	Year ended 2009
P.		**Opening balance of cash and cash equivalents**	**63,216**	**84,951**
		Cash flows from operating activities		
Z.		**Net profit on ordinary activities before tax**	**132,639**	**150,726**
	A.1.	Adjustments for non-cash movements:	(15,241)	(23,178)
	A.1.1.	Depreciation and amortisation of fixed assets	9,641	11,517
	A.1.2.	Change in provisions	(509)	(10,376)
	A.1.3.	Loss on the sale of fixed assets	(2)	–
	A.1.4.	Dividend income	(20,000)	(20,000)
	A.1.5.	Net interest expense	(4,389)	(4,319)
A.*		**Net cash flow from ordinary activities tax, changes in working capital and items**	**117,398**	**127,548**
	A.2.	Working capital changes	16,434	132,539
	A.2.1.	Change in receivables and prepayments	(139,408)	(38,913)
	A.2.2.	Change in short-term payables and accruals	54	(17,283)
	A.2.4.	Change in short-term investments	155,789	188,736
A.**		**Net cash flow from ordinary activities before tax and extraordinary items**	**133,833**	**260,088**
	A.4.	Interest received	1,039	4,319
	A.5.	Income tax on ordinary activities paid	(12,913)	(50,352)
	A.7.	Dividends received	20,000	20,000
A.***		**Net cash flow from ordinary activities**	**141,959**	**234,055**
		Cash flows from investing activities		
	B.1.	Acquisition of fixed assets	(2,372)	(9,183)
	B.2.	Proceeds from sale of fixed assets	2	–
	B.3	Loans to related parties	–	8,000
B.***		**Net cash flow from investing activities**	**(2,370)**	**(1,183)**
		Cash flows from financing activities		
	C.2.	Changes in equity	(118,286)	(254,607)
	C.2.6.	Dividends paid	(118,286)	(254,607)
C.***		**Net cash flow from financing activities**	**(118,286)**	**(254,607)**
F.		**Net increase or decrease in cash and cash equivalents**	**21,303**	**(21,735)**
R.		**Cash and cash equivalents at the end of the year**	**84,519**	**63,216**

Statement of Changes in Equity
Year ended 31 December 2010

(CZK '000)

	Share capital	Statutory reserve fund	Retained earnings	Profit/loss for the current period	Total equity
Balance as at 31 December 2008	**265,216**	**31,923**	**11,222**	**256,389**	**564,769**
Allocation of profit	–	12,820	243,569	(256,389)	–
Dividends paid	–	–	(254,607)	–	(254,607)
Profit for the current period	–	–	–	124,351	124,351
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**

Notes to the Financial Statements for the Year 2010

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 subjects of operation of the Company are as follows:

a) In compliance with the relevant statutory regulations and Exchange Rules to organise at the set place and time, through authorised persons, the regulated market in investment instruments, and/or other capital market instruments to the extent of the licence issued by the Czech National Bank (hereinafter referred to as "CNB")

b) To ensure the publication of the exchange trading results

c) To render services encompassing the provision of information, i.e. information on investment instruments not admitted to trading in the regulated market, doing so under the conditions stipulated in Act No. 256/2004 Coll., on Conducting Business on the Capital Markets (hereinafter the "Capital Market Act"), to the extent of the licence issued by CNB

d) To provide services via another regulated market, i.e. a foreign market, to the extent of the licence issued by CNB and in accordance with the Capital Market Act

e) To enable the regulated market organiser pursuant to item d) hereof to provide services through its market to the extent of the licence issued by CNB and in accordance with the Capital Market Act

f) To perform activities associated with the organization of the regulated market

g) To operate a multilateral trading system

h) To carry on advisory, educational and other activities associated with the scope of the Exchange's business activities described under items a) through e) hereof which have been entitled "Principal Business Activities of the Exchange"

i) To purchase goods with the purpose of their resale and sale per se (buy & sell)

j) To provide software

k) To provide technology and engineering in the field of data processing

l) To organise training and render educational services

m) To act as a mediator in the field of education

n) To act as an editor/publisher

o) To render other services in the financial market in accordance with other applicable legal regulations.

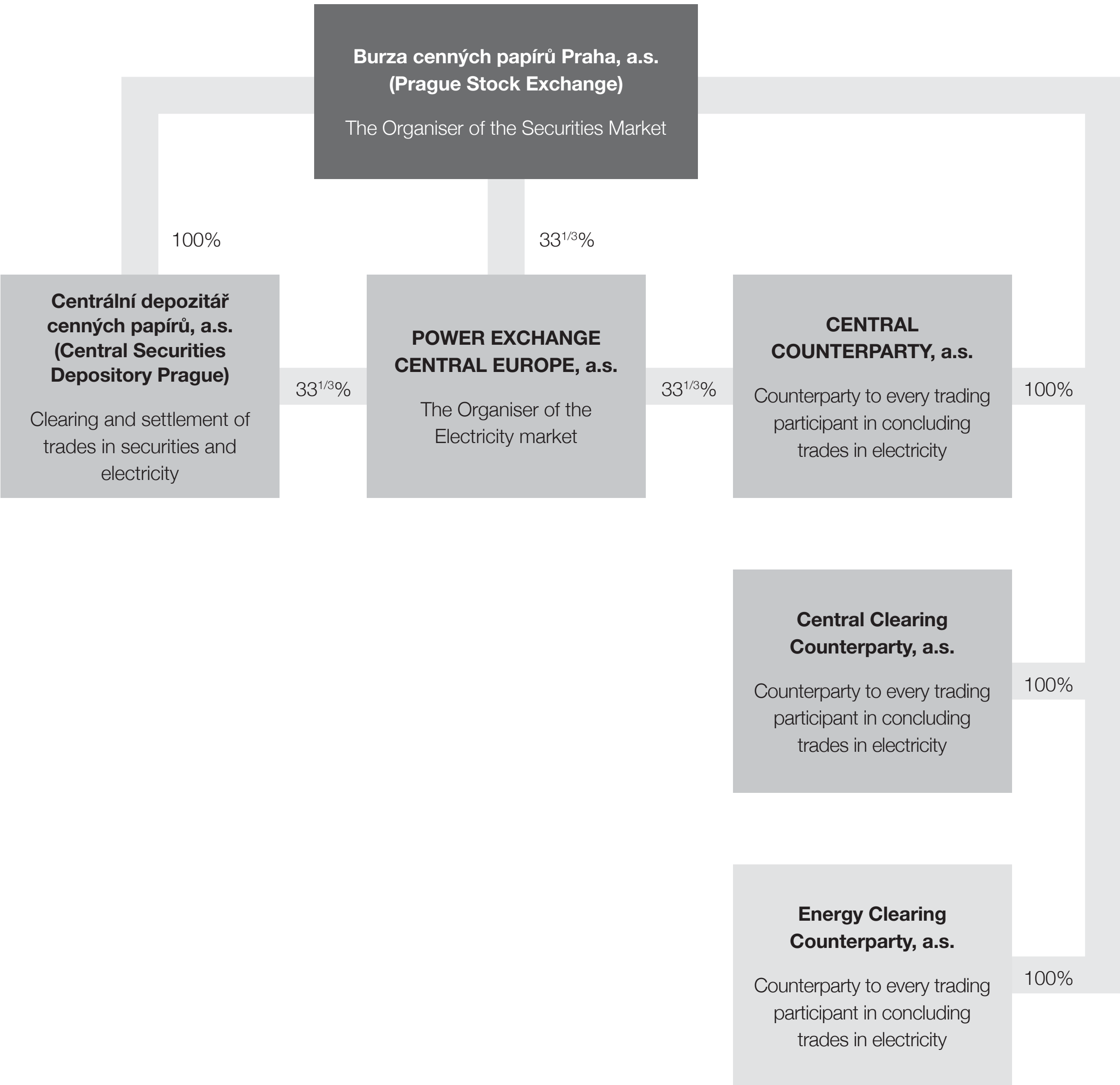
The other activities referred to in items g) through o) hereof are only performed by the Exchange to the extent deemed absolutely necessary to support its principal business activities. Where the Capital Market Act requires, prior registration with the Czech National Bank shall be carried out.

1.2. Organisational Structure of the Company

The following units report directly to the CEO:
– Legal Services;
– Internal Audit and Security Department and Compliance;
– Trading and Securities Department;
– Information Technology Department;
– Inspection Department;
– Economic and Administration Department;
– External Communication Department.

1.3. Group Identification

Structure as at 31 December 2010



POWER EXCHANGE CENTRAL EUROPE, a.s.:

- On 8 January 2007 a foundation agreement for incorporation of Energetická burza Praha, with 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 license to PXE on 4 February 2009 regarding commodity derivatives market organizing (henceforth "the License"). According to the novelized Act on Capital Markets regularly traded commodity derivatives are considered as investment instruments. Consequently, each subject that provides and organizes such market is supervised and licensed by CNB. The License allows PXE to provide market with physical settlement as well as financial settlement. The License is recognized in the whole 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 2009 amounts to TCZK 100,000.
- CNB extended a license for UNIVYC, a.s. enabling it to operate a settlement system for all trades concluded on PXE. UNIVYC, a.s. requested the regulatory body for the permission to perform central depository services according to Act on Capital Markets 256/2004, section 100.
- According to CNB's decision from 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 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 evidence of registered dematerialized securities issued in the Czech Republic; assigning of identification codes to investment instruments
  - central depository operates on a participant principle and it provides its services related to administration of securities evidence as well as trades settlement through the participants
  - 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 a registered office at Rybná 14/682, Praha 1, with the 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, organisational and economic advisors".
- In 2007 Centrální depozitář, a.s. was renamed to "CENTRAL COUNTERPARTY, a.s." with an additional subject of operation – "trading with 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 the share capital of TCZK 2,000 and its sole shareholder is the 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 with 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 the 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 with 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.

Stock Exchange Chamber and Supervisory Board as at 31 December 2010

	Position	Name
Stock Exchange Chamber	Chairman	Petr Koblic
	Vice Chairman	Michael Buhl
	Vice Chairman	Hannes Takacs
	Member	Ludwig Niessen
		Helena Čacká
		David Kučera
Supervisory Board	Member	Jaroslav Mîl
		Milan Šimáček
		Jan Sýkora
		Martin Roman
		Jan Klenor
		Daniel Heler

In the year ended 31 December 2010, 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	Zdeněk Bakala	Jan Sýkora	20 April 2010

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 ("CZK'000"), unless indicated otherwise.

2.1. Tangible Fixed Assets

All tangible assets with a useful life longer than one year and a unit cost of more than CZK 40 thousand 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 fixed assets are depreciated applying the 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 expense as incurred. Technical improvement of tangible fixed assets is capitalised.

2.2. Intangible Fixed Assets

All intangible assets with a useful life longer than one year and a unit cost of more than CZK 60 thousand 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 fixed assets are amortised applying the 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, which is the power to participate in the financial and operating policy decisions, but not control ("the associate").

Investments in subsidiaries and associates are recorded at cost less a provision for diminution in value.

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 of 1 year period) fluctuations in price 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 amortised 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 based on recognised 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 of value over time are expected. Cash equivalents are, for example, deposits with a maturity of less than 3 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.

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 recognised 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 recognised 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 rate of exchange ruling 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 recognised 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 recognised if it is probable that sufficient future taxable profit will be available against which the assets can be utilised.

2.11. Own Shares

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

The Company is obligated to repurchase own shares if the Stock 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 the own 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 Stock 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.

2.13. Revenue Recognition

Sales are recognised 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 capitalised 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 recognised 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 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 nr. 235/2004. Consequently the Group is registered under a joint VAT identification number.

As at 1 January 2010 the Group used advances coefficient of 0.40. The Group applied this coefficient for calculating a proportional VAT deduction on acquired supplies in 2010. In the VAT return for December 2010 a settlement coefficient of 0.30 was calculated and represents the advance coefficient for 2011. 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 2010.

Based on the group registration the Group claimed 30% of the VAT as a deductible item in the VAT return and 70% of the VAT was recognized as unclaimed VAT expense. As regards fixed assets acquisition, the acquisition price was increased by unclaimed VAT.

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 recognised in the financial statements in the case that these events provide further evidence of conditions that existed at the balance sheet date.

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

(CZK'000)

Cost	Balance as at 1 January 2009	Additions	Disposals	Balance as at 1 January 2009	Additions	Disposals	Balance as at 31 December 2010
Software	40,692	900	–	41,592	1,782	918	42,456
Other intangible fixed assets	3,900	–	–	3,900	–	–	3,900
Intangible fixed assets under construction	–	1,069	900	169	–	–	169
Total	**44,592**	**1,969**	**900**	**45,661**	**1,782**	**918**	**46,525**

(CZK'000)

Accumulated amortisation	Balance as at 1 January 2009	Additions	Disposals	Balance as at 31 December 2009	Additions	Disposals	Balance as at 31 December 2010
Software	36,220	2,453	–	38,673	2,456	897	40,232
Other intangible fixed assets	291	1,822	–	2,113	1,675	–	3,788
Total	**36,511**	**4,275**	**–**	**40,786**	**4,131**	**897**	**44,020**

(CZK'000)

Net book value	Balance as at 1 January 2009	Balance as at 31 December 2009	Balance as at 31 December 2010
Software	4,472	2,919	2,224
Other intangible fixed assets	3,609	1,787	112
Intangible fixed assets under construction	–	169	169
Total	**8,081**	**4,875**	**2,505**

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

(CZK'000)

	Amortisation
2010	4,131
2009	4,275

In 2009 and 2010 no allowances to intangible fixed assets were created.

3.1.2. Tangible Fixed Assets

(CZK'000)

Cost	Balance as at 1 January 2009	Additions	Disposals	Balance as at 31 December 2009	Additions	Disposals	Balance as at 31 December 2010
Individual movable assets	71,458	8,108	10,398	69,168	2,118	9,428	61,858
– Machinery and equipment	53,378	7,637	10,398	50,616	–	7,273	43,343
– Vehicles	–	–	–	–	–	–	–
– Furniture and fixtures	5,720	–	–	5,720	2,010	555	7,175
– Low value tangible FA	12,360	472	–	12,832	108	1,600	11,340
Tangible FA under construction	–	6	–	6	–	6	–
Total	**71,458**	**8,114**	**10,398**	**69,174**	**2,118**	**9,434**	**61,858**

(CZK'000)

Accumulated depreciation and provisions	Balance as at 1 January 2009	Additions	Disposals	Balance as at 31 December 2009	Additions	Disposals	Balance as at 31 December 2010
Individual movable assets	63,475	7,242	10,398	60,319	5,510	7,927	57,902
– Machinery and equipment	48,651	5,370	10,398	43,623	2,482	5,772	40,333
– Vehicles	–	–	–	–	–	–	–
– Furniture and fixtures	4,750	486	–	5,236	1,982	555	6,663
– Low value tangible FA	10,074	1,386	–	11,460	1,046	1,600	10,906
Total	**63,475**	**7,242**	**10,398**	**60,319**	**5,510**	**7,927**	**57,902**

(CZK'000)

Net book value	Balance as at 1 January 2009	Balance as at 31 December 2010	Balance as at 31 December 2010
Individual movable assets	7,983	8,849	3,956
– Machinery and equipment	4,728	6,993	3,010
– Furniture and fixtures	970	484	512
– Low value tangible FA	2,284	1,372	434
Tangible FA under construction	–	6	–
Total	**7,983**	**8,855**	**3,956**

Disposals of Tangible Fixed Assets

Disposals of tangible fixed assets amounted to TCZK 9,428 in 2010. The most significant disposals are represented by copying machine, servers and other technical equipment.

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

(CZK'000)

	Depreciation
2010	5,510
2009	7,242

In 2010 and 2009 no allowances against tangible fixed assets were created.

None of the assets is pledged as collateral.

3.2. Leased Assets

As at 31 December 2010, the Company has seven cars under operating leases. The aggregate amount of payments made in 2010 was TCZK 1,681 (2009: TCZK 1,709).

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

(CZK'000)

	Balance as at 31 December 2010	Balance as at 31 December 2009
Current within one year	1,268	1,208
Due after one year but within five years	1,580	384
Total	**2,848**	**1,592**

3.3. Long-term Investments

The Company is the sole shareholder of Centrální depozitář cenných papírů, a.s. and CENTRAL COUNTERPARTY, a.s. Since 2008 the Company is also the sole shareholder of 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 CENTRAL COUNTERPARTY, a.s. amounts to TCZK 3,000, Central Clearing Counterparty, a.s. and Energy Clearing Counterparty, a.s. amounts to TCZK 2,000 and TCZK 2,000, respectively. The Company has also a one third share in POWER EXCHANGE CENTRAL EUROPE, a.s. whose share capital amounts to TCZK 60,000 (refer to Note 1.3.).

(CZK'000)

Cost	Balance as at 31 December 2009	Additions	Balance as at 31 December 2010
*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	–	2,000
Energy Clearing Counterparty, a.s	2,000	–	2,000
Total	**117,100**	**–**	**117,100**

*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 year 1996 and 1999 from retained earnings.

(CZK'000)

Provisions	Balance as at 31 December 2009	Additions	Disposals	Balance as at 31 December 2010
Central Clearing Counterparty, a.s.	1,726	274	–	2,000
Energy Clearing Counterparty, a.s.	1,784	216	–	2,000
Total	**3,510**	**490**	**–**	**4,000**

(CZK'000)

Net value	Balance as at 31 December 2009	Balance as at 31 December 2010
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.	274	–
Energy Clearing Counterparty, a.s.	216	–
Total	**113,590**	**113,100**

As at 31 December 2010 Centrální depozitář cenných papírů, a.s. reports equity of TCZK 119,061. In 2010 it generated a profit of TCZK 9,359. Based on the decision of its sole shareholder the dividends from profit of 2009 were paid in 2010 amounting to TCZK 20,000.

As at 31 December 2010 CENTRAL COUNTERPARTY, a.s. reports equity of TCZK 10,677 and 2010 loss of TCZK 72.

As at 31 December 2010 the POWER EXCHANGE CENTRAL EUROPE, a.s. reports equity of TCZK 65,120. In 2010 it generated a profit of TCZK 845.

As at 31 December 2010 Central Clearing Counterparty, a.s. reports a negative equity of TCZK 1,868. In 2010 it incurred a loss of TCZK 2,142.

As at 31 December 2010 Energy Clearing Counterparty, a.s. reports a negative equity of TCZK 895. In 2010 it incurred a loss of TCZK 1,111.

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

3.4. Financial Assets

(CZK'000)

	Balance as at 31 December 2010	Balance as at 31 December 2009
Cash in hand	129	44
Current accounts	44,390	23,172
Term accounts in banks	40,000	40,000
Short-term securities	–	184,777
– held to maturity – depository notes	–	110,002
– at fair value through profit or loss	28,988	74,775
with fixed income	–	36,358
with variable yield	28,988	38,417
Total financial assets	**113,507**	**247,993**

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

3.5. Short-term Receivables

(CZK'000)

Category	Balance as at 31 December 2010	Balance as at 31 December 2009
Trade receivables - customers	23,313	13,659
Receivables from shareholders/owners	180,086	40,971
Tax receivable	3,716	13,048
Operating prepayments made	156	155
Receivables from partners	2,262	3,646
Estimated receivables	1,212	435
Other receivables and social security	21	26
Total short-term receivables, net	**210,766**	**71,940**

As at 31 December 2009 the union contract between Burza cenných papírů Praha, a.s. and Centrální depozitář cenných papírů, a.s. from 15 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 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. from fees from trade settlement and transactions settled through AOS as well as fees from using of communication system by participants of settlement system of CDCP 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 revenues of Centrální depozitář cenných papírů, a.s. from securities evidence for providing a technical support services related to securities evidence.

Receivables outstanding have not been secured and none of them are past due for more than 5 years.

3.5.1 Ageing of Short-term Trade Receivables

(CZK'000)

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	23,305	–	–	–	–	2,394	2,394	25,699
	Allowances	–	–	–	–	–	2,394	2,394	2,394
	Net	23,305	–	–	–	–	–	–	23,305
2009	Nominal value	13,299	129	95	135	1	2,411	2,771	16,070
	Allowances	–	–	–	–	–	2,411	2,411	2,411
	Net	13,299	129	95	135	1	–	360	13,659

3.5.2. Allowances

(CZK'000)

	Allowances for trade receivables
Balance as at 1 January 2009	**2,461**
Creation	–
Release	50
Usage	–
Balance as at 31 December 2009	**2,411**
Creation	–
Release	17
Usage	–
Balance as at 31 December 2010	**2,394**

3.5.3. Receivables from Related Parties

(CZK'000)

Name of the company	Balance as at 31 December 2010	Balance as at 31 December 2009
Short-term trade receivables		
Centrální depozitář cenných papírů, a.s.	6,374	20
POWER EXCHANGE CENTRAL EUROPE, a.s.	962	743
Energy Clearing Counterparty, a.s.	1	–
Total short-term receivables	**7,337**	**763**

Name of the company	Balance as at 31 December 2010	Balance as at 31 December 2009
Loans		
Centrální depozitář cenných papírů, a.s.	173,316	–
CENTRAL COUNTERPARTY, a.s.	–	40,208
Central Clearing Counterparty, a.s.	6,770	
Total loans	**180,086**	**40,208**

Name of the company	Balance as at 31 December 2010	Balance as at 31 December 2009
Receivable within the Group registration to VAT		
Centrální depozitář cenných papírů, a.s.	1,941	3,000
POWER EXCHANGE CENTRAL EUROPE, a.s.	321	646
Total receivable within the Group registration to VAT	**2,262**	**3,646**

No receivables related parties are overdue.

3.5.4. Estimated Receivables

(CZK'000)

	Balance as at 31 December 2010	Balance as at 31 December 2009
Unbilled rental services	729	387
Unbilled information services provided by BCPP	–	48
Unbilled stock exchange information	480	–
Unbilled estimates – others	3	–
Estimated receivables	**1,212**	**435**

3.6. Deferred Expenses and Accrued Income

(CZK'000)

	Balance as at 31 December 2010	Balance as at 31 December 2009
Deferred expenses	**5,725**	**6,887**
Rental of non-residential premises	3,464	3,457
Insurance	911	1,934
Other	1,350	1,496
Accrued income	**55**	**272**
Stock exchange information	–	157
Interest	55	113
Other	–	2
Total accruals and deferrals	**5,780**	**7,159**

3.7. Equity

3.7.1. Share Capital

The Company's share capital recorded in the Commercial Register as at 31 December 2010 of TCZK 265,216 (2009: TCZK 265,216) is split into 265,216 shares of registered stock with a nominal value of CZK 1,000 per share.

3.7.2. Profit for the Year 2009

The net profit for the year 2009 of TCZK 124,351 was approved and allocated by the general meeting of shareholders on 20 April 2010.

3.7.3. Statutory Reserve Fund

(CZK'000)

Balance as at 31 December 2008	**31,923**
Creation from the 2009 profit	12,820
Balance as at 31 December 2009	**44,743**
Creation from the 2010 profit	6,218
Balance as at 31 December 2010	**50,961**

3.8. Provisions

(CZK'000)

	Reserve for potential liability from termination of employment	Reserve life insurance and staff bonuses	Total
Balance as at 31 December 2008	**981**	**15,640**	**16,621**
Creation/(release)	–	(14,242)	(14,242)
Balance as at 31 December 2009	**981**	**1,398**	**2,379**
Creation/(release)	(981)	–	(981)
Balance as at 31 December 2010	**–**	**1,398**	**1,398**

As at 31 December 2010, other provision was released due to the termination of a legal dispute with one of the former employees. Burza cenných papírů Praha, a.s. (defendant side) appealed to the Supreme Court in May 2010 although, based on the final judgment, it paid an amount of TCZK 426 to the plaintiff.

Further, a provision for statutory insurance related to the life insurance scheme for selected employees is being created. The provision will be used at the completion or termination of individual contracts. As at 31 December 2010, it amounts to TCZK 1,398.

3.9. Short-term Liabilities

Short-term liabilities have the following structure:

(CZK'000)

Category	Balance at as 31 December 2010	Balance as at 31 December 2009
Trade payables – domestic	1,498	3,516
Trade payables – foreign countries	4	139
Prepayments received	120	380
Tax liabilities	3,720	1,813
Payables to shareholders/ owners	–	789
Payables to employees	5,995	8,165
Social security and health insurance payables	2,907	1,352
Other payables	236	228
Estimated payables	3,417	1,376
Total short-term payables	**17,897**	**17,758**

No trade payables as at 31 December 2010 and 2009 are overdue.

3.9.1. Payables to Related Parties

(CZK'000)

Name of the company	Balance as at 31 December 2010	Balance as at 31 December 2009
Centrální depozitář cenných papírů, a.s.	**79**	**–**
- trading payables	79	–
Total short-term payables to related parties	**79**	**–**

3.10. Deferred Tax

The deferred tax asset as at 31 December 2010 is calculated at 19% (the rate enacted for 2011). Deferred tax as at 31 December 2009 was calculated at 19% (the rate enacted for 2010).

The deferred tax asset can be analysed as follows:

(CZK'000)

Deferred tax	Balance as at 31 December 2010	Balance as at 31 December 2009
Accumulated depreciation and amortisation of fixed assets	(462)	(837)
Provisions	266	452
Allowance to financial investments	760	667
Social security and health insurance	–	62
Deferred tax asset	**563**	**344**
Deferred tax expense/(credit)	**(219)**	**3,405**

3.11. Income Tax on Ordinary Activities

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

(CZK'000)

	Balance as at 31 December 2010	Balance as at 31 December 2009
Profit before tax	132,639	150,726
Theoretical tax at a tax rate of 19% (2009: 20%)	25,201	30,145
Tax effect of not deductible expenses	1,617	9,938
Tax effect of non-taxable income	(4,045)	(14,548)
Tax reclaim	(4,557)	(2,565)
Current tax	**18,216**	**22,970**
Deferred tax	(219)	3,405
Total income tax on ordinary activities	**17,997**	**26,375**

3.12. Details of Revenues by Principal Activity

(CZK'000)

	2010			2009		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Stock exchange fees	92,363	3,049	95,412	106,446	4,420	110,866
Annual trading fees	13,860	–	13,860	14,520	–	14,520
Listing fees	7,775	3,049	10,824	8,470	4,420	12,890
Trading fees	70,728	–	70,728	83,456	–	83,456
Services relating to settlement	75,547	–	75,547	78,225	–	78,225
Services for POWER EXCHANGE CENTRAL EUROPE, a.s.	10,481	–	10,481	10,198	–	10,198
Other services	22,375	37,548	59,923	14,879	39,290	54,169
Total income from the sale of services	**200,766**	**40,597**	**241,363**	**209,748**	**43,710**	**253,458**

3.13. Related Party Transactions

3.13.1. Revenues from Related Party Transactions

2010 (CZK'000)

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**

2009 (CZK'000)

Entity	Relation to the Company	Services	Financial income	Total
Centrální depozitář cenných papírů, a.s.	Subsidiary	3,372	–	6,702
CENTRAL COUNTERPARTY, a.s.	Subsidiary	117	711	828
POWER EXCHANGE CENTRAL EUROPE, a.s.	Subsidiary	11,089	–	11,980
Central Clearing Counterparty, a.s.	Subsidiary	119	–	119
Energy Clearing Counterparty, a.s.	Subsidiary	149	–	149
Total		**14,846**	**711**	**19,778**

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 using of communication system by participants of settlement system who are not members of Burza cenných papírů Praha, a.s.
- 8% of revenues of Centrální depozitář cenných papírů, a.s. from securities evidence for providing the technical support services related to securities evidence
- Services supporting electric energy trading for POWER EXCHANGE CENTRAL EUROPE, a.s.
- Revenues from rental services including services related to rent.

3.13.2. Services Purchased from Related Parties

2010 (CZK'000)

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

As at 31 December 2009 the union contract between Burza cenných papírů Praha, a.s. and Centrální depozitář cenných papírů, a.s. from 15 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 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. from fees from trade settlement and transactions settled through AOS as well as fees from using of communication system by participants of settlement system of CDCP who are not members of Burza cenných papírů Praha, a.s.

3.14. Services

(CZK'000)

	Year 2010	Year 2009
Repairs and maintenance	1,134	927
Travel expenses	1,511	976
Representation costs	457	578
Low value intangible assets brought into use	7	–
Rental	18,011	16,312
Operating leases	1,681	1,709
Advisory services	2,183	3,574
Audit	1,700	1,031
Promotion	1,674	1,566
Other services	21,221	14,906
Total	**49,579**	**41,579**

3.15. Other Operating Income

(CZK'000)

	Year 2010	Year 2009
Contractual penalties and penalty interest	–	54
Impact of VAT coefficient	–	2,766
Write-offs of receivables	–	13
Sundry operating income	25	11
Total other operating income	**25**	**2,844**

3.16. Other Operating Expenses

(CZK'000)

	Year 2010	Year 2009
Gifts	447	334
Insurance premiums	706	892
Sundry operating expenses	628	1,774
Impact of VAT coefficient	3,849	6,106
Total other operating expenses	**5,630**	**9,106**

3.17. Proceeds from the Sale of Securities and Investments

(CZK'000)

Short-term financial assets (FVPL)	Year 2010	Year 2009
	Selling price	Selling price
Czech bonds	46,782	30,568
Total proceeds from the sale of securities	**46,782**	**30,568**

3.18. Securities and Investments Sold (Costs)

(CZK'000)

Short-term financial assets (all FVPL)	Year 2010	Year 2009
	Carrying amount	Carrying amount
Czech bonds	46,543	30,549
Total expenses financial assets	**46,543**	**30,549**

3.19. Income from Non-current Financial Assets

(CZK'000)

	Year 2010	Year 2009
Dividends received from subsidiaries	20,000	20,000

3.20. Income from Current Financial Assets

(CZK'000)

	Year 2010	Year 2009
Interest on depository notes	380	2,436
Gains from revaluation of FVPL securities	2,385	4,444
Toal income from financial assets	**2,765**	**6,880**

3.21. Interest Income

(CZK'000)

	Year 2010	Year 2009
Interest on current bank accounts	394	901
Interest on debt securities	694	2,707
Interest received from the loan to a subsidiary	3,459	711
Total interest income	**4,547**	**4,319**

3.22. Other Financial Income

(CZK'000)

	Year 2010	Year 2009
Foreign exchange gains	328	613
Other	–	6
Total	**328**	**619**

3.23. Other Financial Expenses

(CZK'000)

	Year 2010	Year 2009
Foreign exchange losses	1,565	1,113
Banking charges – bank guarantee	18	155
Banking charges – portfolio	2	6
Banking charges – other	144	–
Total	**1,729**	**1,274**

4. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES

4.1. Staff Costs and Number of Employees

The following tables summarise the average number of the Company's employees and management for the years ended 31 December 2010 and 2009:

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

2009	Headcount	Personnel expenses total
Employees	41	43,089
Management	6	39,213
Total	**47**	**82,302**

The management includes the CEO and departmental directors. Staff costs include also social and health insurance.

4.2. Loans, Borrowings and Other Benefits Provided

During the years ended 31 December 2010 and 2009, the members of the Stock Exchange Chamber and management received the following loans and bonuses in addition to their basic salaries:

(CZK'000)

2010	Stock 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**

(CZK'000)

2009	Stock Exchange Chamber	Management	Total
Bonuses	1,962	–	1,962
Life and pension insurance contributions	–	191	191
Cars/other movable and immovable assets to be used for private purposes	–	458	458
Other benefits	–	214	214
Total	**1,962**	**863**	**2,825**

Supervisory board members did not receive any bonuses during the years 2010 and 2009.

5. CONTINGENT LIABILITIES

5.1. Bank Guarantees

The Company received a bank guarantee provided by Komerční banka, a.s. as at 31 December 2010 in the amount of TCZK 3,500 in favour of Burzovní Palác Investment s.r.o.

An outstanding bank guarantee amounting to TCZK 40,000 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.

5.2. Legal Disputes

As at 31 December 2010 the Company was not involved in any legal disputes, the outcome of which would significantly impact the Company's financial statements.

6. POST BALANCE SHEET EVENTS

The Company's management is not aware of any events that have occurred since the balance sheet date that would have any material impact on the financial statements as at 31 December 2010.

Prague, 15 March 2011

Petr Koblic
Chairman of the Stock Exchange Chamber

Helena Čacká
Member of the Stock Exchange Chamber

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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 consolidated statement of financial position as of 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated 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 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 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.

KPMG

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 2010, 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
15 March 2011

KPMG Česká republika

KPMG Česká republika, s.r.o.

Consolidated Statement of Financial Position as at 31 December 2010

CZK'000

	Note	31 December 2010	31 December 2009
CURRENT ASSETS			
Cash	6	2,344,970	2,712,440
Trade receivables	7	82,424	58,116
Securities held for trading	8	43,481	122,368
Securities held to maturity	9	37,501	189,007
Other current assets	10	46,521	290,325
Total current assets		**2,554,897**	**3,372,256**
NON-CURRENT ASSETS			
Tangible fixed assets	11	34,278	11,875
Intangible fixed assets	12	247,565	6,162
Other non-current assets	13	5,087	5,080
Deferred tax asset	19	–	475
Total non-current assets		**286,930**	**23,592**
TOTAL ASSETS		**2,841,827**	**3,395,848**
CURRENT LIABILITIES			
Trade payables	14	122,567	238,408
Liabilities from margin deposits	15	1,911,318	2,582,642
Other current liabilities	16	324,217	80,306
Advances received	18	5,628	6,367
Total current liabilities		**2,363,730**	**2,907,723**
NON-CURRENT LIABILITIES			
Provisions	20	6,898	2,675
Other liabilities	19	2,116	–
Total non-current liabilities		**9,014**	**2,675**
SHAREHOLDERS' EQUITY			
Share capital	21	265,216	265,216
Other funds	21	70,899	63,158
Retained earnings	29	132,968	157,076
Total shareholders' equity		**469,083**	**485,450**
LIABILITITES AND SHAREHOLDERS' EQUITY		**2,841,827**	**3,395,848**

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

Consolidated Statement of Comprehensive Income for 2010

CZK'000

	Note	31 December 2010	31 December 2009
Revenues	22	**430, 023**	**381,243**
Services	23	(108,608)	(99,559)
Material	23	(3,313)	(3,435)
Employee benefit expenses	24	(118,223)	(108,717)
Depreciation and amortisation expenses	25	(61,387)	(14,370)
Other net operating expenses	26	(13,703)	(8,148)
Profit from operating activities		**124,789**	**147,014**
Interest income	27	1,068	1,149
Interest expense	27	–	(717)
Net trading income	27	3,676	8,840
Other net financial income/(expenses)	27	(4,449)	(1,605)
Net financial income	**27**	**295**	**7,667**
Profit before income tax		**125,084**	**154,681**
Income tax expense	28	(23,165)	(28,366)
Profit for the period		**101,919**	**126,315**
Other comprehensive income for the period		–	–
Total comprehensive income for the period		**101,919**	**126,315**

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

Consolidated Statement of Changes in Equity for 2010

CZK'000

	Share capital	Share premium	Other funds	Retained earnings	Total
31 December 2008	**265,216**	**78,371**	**48,975**	**221,180**	**613,742**
Allocation of retained earnings	–	–	14,183	(14,183)	–
Distribution of dividends	–	(78,371)	–	(176,236)	(254,607)
Profit for the period	–	–	–	126,315	126,315
Other comprehensive income	–	–	–	–	–
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**

In 2010, dividends were paid from retained earnings.

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

Consolidated Statement of Cash Flows for 2010

CZK'000

	Note	31 December 2010	31 December 2009
Profit before tax		**125,084**	**154,681**
Adjustments for non-cash transactions		–	–
Depreciation and amortisation		61,387	14,370
Increase/(decrease) in provisions		4,223	(6,446)
Profit or loss on the sale of tangible and intangible fixed assets		(2)	61
Interest income		(1,068)	(1,149)
Interest expense		–	717
Foreign exchange differences		–	2,637
(Increase)/decrease in accounts receivable		214,911	311,176
Decrease in securities held for trading		78,887	69,624
Increase/(decrease) in accounts payable		(543,993)	(819,693)
Net operating cash flow before taxation and interest		**(60,571)**	**(274,022)**
Interest received		1,068	1,149
Interest paid		–	(717)
Income tax paid		(17,378)	(45,701)
Net cash flow from ordinary activities		**(76,881)**	**(319,291)**
Acquisition of tangible and intangible fixed assets		(325,256)	(14,446)
Proceeds from the sale of tangible and intangible fixed assets		2	16
Net cash flow from investing activities		**(325,254)**	**(14,430)**
Increase/(decrease) in bank loans		–	(190,645)
Dividends paid		(118,286)	(254,607)
Net cash flow from financing activities		**(118,286)**	**(445,252)**
Effect of exchange rate changes on cash held		1,445	(81,968)
Net increase in cash and cash equivalents		**(518,976)**	**(860,941)**
Cash and cash equivalents at the beginning of the year	36	**2,901,447**	**3,762,388**
Cash and cash equivalents at the end of the year	36	**2,382,471**	**2,901,447**

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

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Notes to Consolidated Financial Statements for the Year ended 31 December 2010

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 organise securities trading; trading with the rights associated with securities and associated derivative instruments in accordance with generally applicable legal regulations and stock exchange regulations on pre-determined premises and at a set daily time through authorised persons; managing the central records of dematerialized securities issued in the Czech republic and assignment of identification number (ISIN) for 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.

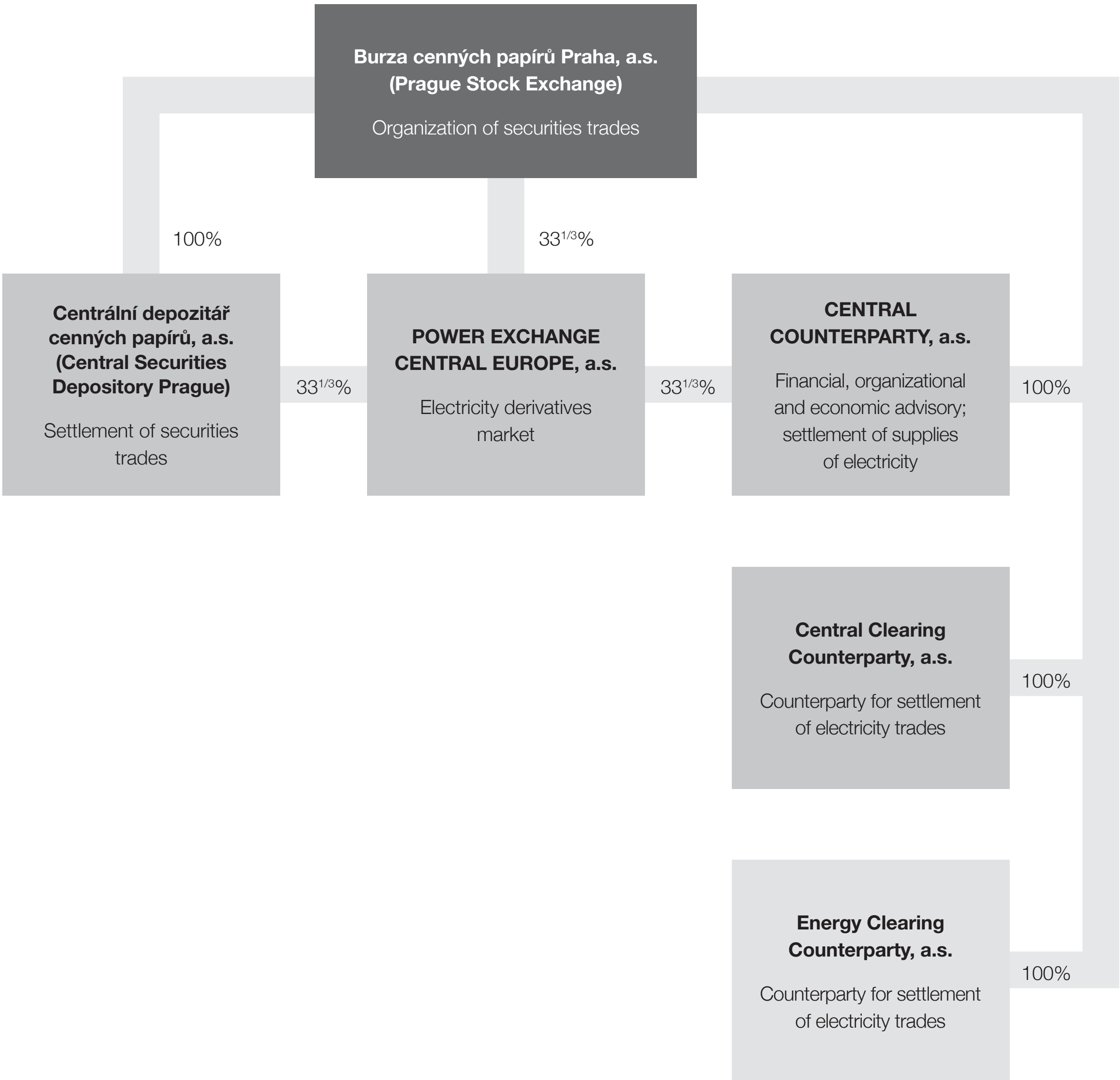
The Company was entered into the Commercial Register maintained by the District Court for Prague 1 on 24 November 1992. The Finance Ministry of the Czech Republic granted a permit to incorporate the Company on 16 October 1992. The corporate details of the Company are maintained in the Commercial Register 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	
			2010	2009
Centrální depozitář cenných papírů, a.s. (former UNIVYC, a.s.)	250 81 489	Settlement of securities trades	100%	100%
CENTRAL COUNTERPARTY, a.s. (former Centrální depositář, a.s.)	271 22 689	Financial, organisational 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 with electricity	100%	100%
POWER EXCHANGE CENTRAL EUROPE, a.s. (former 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



2. SPECIFIC DEVELOPMENTS IMPACTING THE GROUP'S OPERATIONS DURING 2010

On 7 July 2010 Centrální depozitář cenných papírů, a.s. (hereinafter "CDCP") successfully took over records of immaterialized and immobilized securities from Středisko cenných papírů. This takeover was carried out according to a granted license for organizing a central depository of securities. On the same day CDCP started its new business activity: managing the central records of dematerialized securities issued in the Czech Republic and assignment of identification number (ISIN) to investment instruments.

CDCP is a founder of Nadační fond CDCP enetered in the Commercial Register maintained by the Municipal Court in Prague on 23 December 2010, File N, Insert 822.

In order to organize the electric power trading with delivery in Hungary the Group established a branch in Hungary - POWER EXCHANGE CENTRAL EUROPE, a.s., Magyarországi Fióktelepe through which power traders may access the Company's trading platform. In 2010 the POWER EXCHANGE CENTRAL EUROPE, a.s. launched trading on the Hungarian spot auction which is organised together with the Austrian power exchange EXAA.

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 the International Accounting Standard IAS 39 "Financial Instruments: Recognition and Measurement". Following recommendations from the Accounting Regulatory Committee, the European Commission adopted the Regulations 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 recognised 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 the 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. 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.

4.3. 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 recognised on trade-date – the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised 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 recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised 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 derecognised 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 amortised 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.

4.3.1. Financial Assets 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 at inception. A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if 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. Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

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 amortised cost for such as loans and advances to customers or banks and debt securities in issue;
- 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 on that basis are designated at fair value through profit and loss; and
- Financial instruments, such as debt securities held, containing one or more embedded derivatives that significantly modify the cash flows, are designated at fair value through profit and loss.

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'.

4.3.2. 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.

4.3.3. 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.

4.4. Tangible and Intangible Fixed Assets

Tangible and intangible fixed assets are stated at historical cost less depreciation and amortisation. Depreciation and amortisation 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/amortisation period in years
Equipment	3–5
Vehicles	4
Furniture and fixtures	5–12
Software	3
Other intangible assets	4–12

Subsequent costs are included in the asset's carrying amount or are recognised 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 amortisation 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.

4.5. Impairment of Financial Assets

Financial Assets Carried at Amortised 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 for more than 180 days after the due date;
- initiation of insolvation 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 3 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 recognised 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 recognised 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;
- finalisation of court proceeding or declaration of distrainer about the debt being declared uncollectible.

4.6. Impairment of Non-financial Assets

Where the carrying amount of a non-financial asset stated at net book value or amortised cost is greater than its estimated recoverable amount as at the financial statements date, 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 through the line "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 amortisation or accumulated amortisation) had no impairment loss been recognised 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.

4.7. Revenue Recognition

Revenues are recognised 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 recognised based on the applicable service contracts. Sales from securities custody and administration are accrued on a time-apportioned basis.

4.8. 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 recognised 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 amortised 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 recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

4.9. 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 enacted by 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 utilisation 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 recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

4.10. Provisions

Provisions are recognised 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 recognised as interest expense.

4.11. 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").

The consolidated financial statements are presented in CZK, which is the Group's all entities' functional and presentation 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, which are 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, which are 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 recognised in "Other net financial income/(expense)".

4.12. 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.

4.13. Stock Exchange Guarantee Fund, Collateral Fund and Margin Deposits Fund and Obligations to the Association Participants

4.13.1. 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 in SEGF funds administration.

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 alocated to individual SEGF members according to SEGF rules. This split is recognised in the off balance sheet and does not effect the Group statement of comprehensive income.

4.13.2. Collateral fund and Margin fund

In relation to stock exchange trades with 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 of deposits of participants who trade with derivates.

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

4.14. 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 association.

4.15. Accounting for Derivative Financial Instruments

Derivatives are initially recognised 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)".

4.16. Changes in Accounting Policies Arising from the Adoption of New IFRS and Amendments to Existing IAS Effective since 1 January 2010

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 International Accounting Standards Board which relate to its line of business, are applicable to the accounting period beginning on 1 January 2010 and were adopted by the European Union.

Impact of Issued But Not Yet Effective Standards and Interpretations

As at the date of authorisation 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:

IAS 24, Related Party Disclosures (Revised), is effective for periods beginning on or after 1 January 2011. The standard amends a definition of related parties and introduces a definition of government agencies. In addition, the standard requires disclosure of transactions and relationships with government agencies.

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.

4.17. Application of IFRS 7 – Financial Instruments: Disclosures

The Group's consolidated financial statements for the year ended 31 December 2010 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 recognises the following types of financial instruments:
Classification of categories and classes of financial instruments as at 31 December 2010.

(CZK'000)

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)
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**	**–**	**–**

Classification of categories and classes of financial instruments as at 31 December 2009.

(CZK'000)

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)
Classes						
Cash	2,712,440	–	–	–	–	–
Trade receivables	58,116	–	–	–	–	–
Securities held for trading	–	–	122,368	–	–	–
Securities held to maturity	–	189,007	–	–	–	–
Other current assets	51,319	–	–	–	3,666	–
Other non-current assets	5,080	–	–	–	–	–
Trade payables	–	–	–	238,408	–	–
Liabilities from Margin Deposits	–	–	–	2,550,608	–	–
Current advances received	–	–	–	6,367	–	–
Other current liabilities	–	–	–	91,643	–	–
Short-term bank loans	–	–	–	–	–	–
Other long-term liabilities	–	–	–	–	–	–
Total	**2,826,955**	**189,007**	**122,368**	**2,887,026**	**3,666**	**–**

Gains and losses by categories of financial instruments for 2010.

(CZK'000)

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	(7,321)	(2,115)	(2,486)
Total	**(93 575)**	**–**	**3, 676**	**(7 321)**	**(2 115)**	**(2,486)**

Gains and losses by categories of financial instruments for 2009.

(CZK'000)

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	1,149	3,442	–	–	–	–
Interest expense	–	–	–	(717)	–	–
Net financial income	157,128	–	8,840	(166,404)	90,589	(86,360)
Total	**158,277**	**3,442**	**8,840**	**(167,121)**	**90,589**	**(86,360)**

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 at least 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.

In 2010, the Group had no indications that its receivables would not be paid in full and therefore no impairment has been accounted for.

Loss from impairment of trade receivables recognized in the previous years covers 100% of the nominal values of receivables because these represent receivables claimed in law suits and the probability of encashment is minimal. The Group therefore does not anticipate any change in impairment assessment of these receivables.

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 amortised 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. 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 assets utilisation. Deferred tax assets recognised in the statement of financial position represent the best estimate performed, by management of the Company, of the amount which is likely to be utilised.

In 2010, the Group's deferred tax asset created in the previous accounting periods was written off as reaching the sufficient corporate income tax base to take the advantage of the deferred tax asset is unlikely. The Group reported a deferred tax liability mainly arising from temporary differences of fixed assets which will have impact on the corporate income tax base in the future periods.

6. CASH

Cash as at 31 December 2010 and 2009 consists of the following balances:

(CZK'000)

	2010	2009
Cash in hand	391	218
Cash at bank	69,611	67,850
Stock Exchange Guarantee Fund and Collateral Fund	300,210	44,616
Term deposits	40,837	40,830
Margin Deposits for trades with electricity	1,933,921	2,558,926
Total cash	**2,344,970**	**2,712,440**

7. TRADE RECEIVABLES

Trade receivables as at 31 December 2010 and 2009 consist of the following balances:

(CZK'000)

	2010	2009
Trade receivables	84,918	60,633
Provision	(2,494)	(2,517)
Total receivables (net)	**82,424**	**58,116**

Trade receivables represent mainly fee receivables from activities of members of Burza cenných papírů Praha, a.s., members and participants of Centrální depozitář cenných papírů, a.s. and trading counterparties of Energy Clearing Counterparty, a.s. The year to year increase in receivables is due to the extension of services provided by Centrální depozitář cenných papírů, a.s in the second half of 2010.

Impairment provisions can be analysed as follows:

(CZK'000)

	2010	2009
Balance as at 1 January	2,517	2,566
Additions to provisions	–	–
Release of provisions	(19)	(49)
Use for write-offs of receivables	(4)	–
As at 31 December	**2,494**	**2,517**

8. SECURITIES HELD FOR TRADING

(CZK'000)

	2010	2009
Traded debt securities and other fixed income securities	–	54,240
Traded debt securities and other variable yield securities	43,481	68,128
Total securities held for trading	**43,481**	**122,368**

9. SECURITIES HELD TO MATURITY

(CZK'000)

	2010	2009
Depository notes issued by Czech banks	37,501	189,007
Total	**37,501**	**189,007**

10. OTHER CURRENT ASSETS

(CZK'000)

	2010	2009
Accrued income	392	528
Estimated receivables	588	297
Positive fair value of derivatives	–	3,666
Other financial assets	28,695	50,495
Financial assets	**29,675**	**54,985**
Prepayments	9,900	7,676
Short term advances	191	198
Receivables from employees	30	–
Receivable from the state for VAT refund and CIT advances	6,725	227,446
Non-financial assets	**16,846**	**235,340**
Total	**46,521**	**290,325**

11. TANGIBLE FIXED ASSETS

(CZK'000)

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	33,990	–	226	108	–	34,324
Disposals	(5,901)	–	(555)	(1,600)	(39)	(8,095)
As at 31 December 2010	**94,999**	**14**	**7,668**	**11,339**	**–**	**114 020**
Accumulated depreciation						
As at 1 January 2010	57,146	14	7,297	11,459	–	75,916
Depreciation charge	10,156	–	680	1,046	–	11,882
Disposals	(5,901)	–	(555)	(1,600)	–	(8,056)
As at 31 December 2010	**61,401**	**14**	**7,422**	**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	**33,598**	**–**	**246**	**434**	**–**	**34,278**

(CZK'000)

2009	Equipment	Vehicles	Fixtures and fittings	Other	Fixed assets under construction	Total
Cost						
As at 1 January 2009	65,243	14	7,942	12,450	–	85,649
Additions	12,568	–	212	471	39	13,290
Disposals	(10,901)	–	(157)	(90)	–	(11,148)
As at 31 December 2009	**66,910**	**14**	**7,997**	**12,831**	**39**	**87,791**
Accumulated depreciation						
As at 1 January 2009	60,298	14	6,914	10,084	–	77,310
Depreciation charge	7,749	–	541	1,390	–	9,680
Disposals	(10,901)	–	(158)	(15)	–	(11,074)
As at 31 December 2009	**57,146**	**14**	**7,297**	**11,459**	**–**	**75,916**
Net book value						
As at 1 January 2009	**4,945**	**–**	**1,028**	**2,366**	**–**	**8,339**
As at 31 December 2009	**9,764**	**–**	**700**	**1,372**	**39**	**11,875**

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 2010 are related to the SCP activities takeover and mainly represent the purchase of IT (servers, computers, backup equipment, switches) and office equipment (copying machine, office furniture) totalling CZK 33,667 thousand.

12. INTANGIBLE FIXED ASSETS

(CZK'000)

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 amortisation			
As at 1 January 2010	40,020	2,800	42,820
Amortisation 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**

(CZK'000)

2009	Software	Other	Total
Cost			
As at 1 January 2009	42,309	5,677	47,986
Additions	980	1,304	2,284
Disposals	(152)	(1,136)	(1,288)
As at 31 December 2009	**43,137**	**5,845**	**48,982**
Accumulated amortisation			
As at 1 January 2009	37,589	695	38,284
Amortisation charge	2,583	2,105	4,688
Disposals	(152)	–	(152)
As at 31 December 2009	**40,020**	**2,800**	**42,820**
Net book value			
As at 1 January 2009	**4,720**	**4,982**	**9,702**
As at 31 December 2009	**3,117**	**3,045**	**6,162**

The Group`s intangible fixed assets mainly consist of the SCP register database and a software licences related to takeover of securities central evidence activities. The acquisition cost of those two items was CZK 289,026 thousand.

The Group's remaining intangible fixed assets predominantly include the operating system, development applications and software applications required to secure exchange trading and settlement of transactions with investment instruments.

13. OTHER NON-CURRENT ASSETS

(CZK'000)

	2010	2009
Non-current advances paid	5,087	5,080

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 CZK 5,000 thousand is issued to OTE (electricity market operator) according to the Contract on the settlement of variances and pursuant to business terms and conditions.

14. TRADE PAYABLES

(CZK'000)

	2010	2009
Trade payables from electricity trading	111,597	232,137
Other trade payables	10,970	6,271
Total	**122,567**	**238,408**

Overdue status of trade payables was as follows:

(CZK'000)

Year	Category	Before due date	Overdue 0–90 days	91–180 days	181–360 day	1–2 years	2 years and more	Total after due date	Total
2010	Current	122,567	–	–	–	–	–	–	**122,567**
2009	Current	238,408	–	–	–	–	–	–	**238,408**

15. LIABILITIES FROM MARGIN DEPOSITS

(CZK'000)

Financial liabilities	2010	2009
Liabilities from electricity and derivatives trading (margin deposits)	1,911,318	2,582,642
Total	**1,911,318**	**2,582,642**

16. OTHER LIABILITIES

(CZK'000)

	2010	2009
Accrued expenses	14,121	604
Estimated payables	3,450	3,197
Payables from received guarantees for lent securities (Collateral Fund)	280,187	53,862
Other payables	527	1,946
Financial liabilities	**298,285**	**59,609**
Payables to staff	9,778	15,126
Social security and health insurance payables	4,989	2,375
Other payables	11,165	3,196
Non-financial liabilities	**25,932**	**20,697**
Other current liabilities	**324,217**	**80,306**

Accrued expenses principally comprise of unsettled services related to the lease of the Stock Exchange Palace building.

17. BANK LOANS

The Group has a general agreement with Komerční banka, a.s. for providing a credit line in the amount of CZK 300,000 thousand. The Group did not draw down any credit lines neither as at 31 December 2010 nor as at 31 December 2009.

18. SHORT-TERM ADVANCES RECEIVED

As at 31 December 2010, the Group recognized short-term advances received amounting to CZK 5,489 thousand (2009: CZK 5,974 thousands) which were used to cover a time discrepancy between due dates of Securities centre's ("SCP") invoices and encashment of payments by securities brokers. In connection with the acquisition of central securities depository activities in the second half of 2010 those advances received have been subsequently settled by the Group following the approval of settlement details with the respective brokers.

19. DEFERRED TAX

Deferred income tax is recognised 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 realised or the deferred income tax liability is settled.

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

(CZK'000)

	2010	2009
Fixed assets	(3,463)	(937)
Provisions	1,311	452
Other	36	960
Deferred tax asset/(liability)	**(2,116)**	**475**

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

(CZK'000)

	2010	2009
As at 1 January	475	4,845
Tax charge per the statement of comprehensive income (Note 28)	(2,591)	(4,370)
As at 31 December	**(2,116)**	**475**

20. PROVISIONS

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

(CZK'000)

	2010	2009
Litigation	–	981
Endowment Life Assurance	1,398	1,398
Remuneration provision	5,500	–
Income tax provision	–	296
Total	**6,898**	**2,675**
Impact on profit (creation)/release	**(4,223)**	**16,492**

In 2010 the provision for litigation was released due to the end of the lawsuit. Endowment life assurance provisions will be used/released at the moment of the expiration or cancellation of individual endowment life assurance contracts.

21. 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 in nominal value of CZK 1,000 per share as at 31 December 2010 and 2009.

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 Stock Exchange Chamber. The approval is subject to the consent of a qualified two-thirds majority of the Stock Exchange Chamber members in attendance.

The Company is obliged to repurchase own shares if the Stock 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.

No Company's shares were purchased from or sold by the Company to its shareholders in 2009 and 2010.

Other Funds

(CZK'000)

	31 December 2010	31 December 2009
Other capital funds	9,900	9,900
Statutory reserve fund	60,999	53,258
Total	**70,899**	**63,158**

Other capital funds represent part of the share capital of the subsidiary Centrální depozitář cenných papírů a.s. of CZK 9,900 thousand 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.

22. REVENUES

The following table sets out the structure of revenues:

(CZK'000)

		2010		2009	
		Volume	Structure %	Volume	Structure%
Exchange charges		140,582		153,220	40.2
of which:	membership fees	13,860	3.3	14,520	3.8
	listing charges	10,824	2.5	12,890	3.4
	trading charges	70,719	16.4	83,444	21.9
	trading charges – derivatives	9	0.0	12	0.0
	information services	45,170	10.5	42,354	11.1
Revenues from central depository services		104,036	24.2	–	–
Revenues from settlement of trades		102,034	23.7	120,347	31.6
Revenues of PXE from electricity trading		49,377	11.5	55,716	14.6
Income from primary issues		282	0.1	339	0.1
Revenues from securities custody and administration		24,576	5.7	41,956	11.0
Revenues from mediation of payments of revenues from securities		51	0.0	69	0.0
Revenues from other services		9, 087	2.1	9,597	2.5
Total revenues		**430,023**	**100.0**	**381,243**	**100.0**

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

23. COST OF SERVICES AND MATERIAL

The following table sets out the structure of purchased services:

(CZK'000)

	2010	2009
Consumed material	(3,313)	(3,435)
Total material used	**(3,313)**	**(3,435)**
Rent	(22,287)	(23,079)
Outsourcing (security, payroll)	(1,127)	(1,103)
Custody	(13,142)	(31,769)
Other services (member fees to associations, information services, carriage)	(43,992)	(15,344)
Professional advisory services (tax and legal)	(9,988)	(11,823)
Audit services	(2,940)	(2,183)
Repairs and maintenance	(1,323)	(966)
Advertising and promotion	(3,506)	(9,286)
Travel and representation expenses	(10,303)	(4,051)
Total services used	**(108,608)**	**(99,559)**
Total	**(111,921)**	**(102,994)**

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

24. EMPLOYEE BENEFIT EXPENSES

(CZK'000)

	2010	2009
Wages	(84,128)	(79,341)
Statutory social and health insurance	(24,213)	(19,408)
Other employee expenses	(6,307)	(6,757)
Total	**(114,648)**	**(105,506)**

In 2010 and 2009 members of the Exchange Chambers, Boards of Directors and Supervisory Board obtained the following renumeration:

(CZK'000)

	2010	2009
Exchange Chambers and Boards of Directors	(3,540)	(3,177)
Supervisory Boards	(35)	(35)
Total	**(3,575)**	**(3,212)**

25. DEPRECIATION AND AMORTISATION EXPENSES

(CZK'000)

	2010	2009
Depreciation of tangible fixed assets (Note 11)	(11,881)	(9,680)
Amortisation of intangible fixed assets (Note 12)	(49,506)	(4,690)
Total	**(61,387)**	**(14,370)**

26. OTHER NET OPERATING REVENUES/ EXPENSES

Other operating income/ (expenses) are as follows:

(CZK'000)

	2010	2009
Other operating income	10,575	15,480
Change in operating provisions and allowances (Note 7 and 18)	1,003	(208)
Insurance premium	(2 241)	(2,603)
Gifts	(465)	(347)
Unclaimed VAT	(10,091)	(8,166)
Gains from the sale of fixed assets and raw material	2	(61)
Other taxes and fees	(135)	(286)
Other operating expenses	(12,350)	(11,957)
Total	**(13,703)**	**(8,148)**

Other operating income consisted primarily of fees for suspended and unsettled trades of CZK 6,720 thousand (2009: CZK 4,735 thousand) and fees for inter-bank payments of CZK 2,651 thousand (2009: CZK 3,367 thousand).

Other operating expenses constitute primarily the costs for administration of foreign securities in the amount of CZK 7,639 thousand (2009: CZK 6,876 thousand). Another significant amount is represented by fees for giro payments to CNB of CZK 1,405 thousand (2009: CZK 1,746 thousand). Further operating expenses consist of fees for organizing trading on the Hungarian spot elektricity market in the amount of CZK 1,530 thousand.

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 nr. 235/2004. Consequently the Group is registered under a joint VAT identification number.

As at 1 January 2010 the Group used advances coefficient of 0.40. The Group applied this coefficient for calculating a proportional VAT deduction on acquired supplies in 2010. In the VAT return for December 2010 a settlement coefficient of 0.30 was calculated and represents the advance coefficient for 2011. 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 2010.

Based on the group registration the Group claimed 30% of the VAT as a deductible item in the VAT return and 70% of the VAT was recognized as unclaimed VAT expense. As regards fixed assets acquisition, the acquisition price was increased by unclaimed VAT.

27. NET FINANCIAL INCOME/ EXPENSES

Net financial income/ expenses are made up as follows:

(CZK'000)

	2010	2009
Net trading income	3,676	8,840
Interest income	1,068	1,149
Interest expense	–	(717)
Net result from transactions with derivatives	(4,601)	4,229
Other financial income/ (expense)	152	(5,834)
Net financial income	**295**	**7,667**

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

28. INCOME TAX EXPENSE

Income tax expense can be analysed as follows:

(CZK'000)

	2010	2009
Income tax payable – current period	24,786	28,377
Deferred tax (Note 19)	2,591	4,371
Additional corporate income tax payment/ (refund)	(4,212)	(4,382)
Total income tax	**23,165**	**28,366**

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

(CZK'000)

	2010	2009
Profit before tax	**125 084**	**154,681**
Theoretical tax calculated at a tax rate of 19% (2009: 20%)	23,766	30,936
Income not subject to tax	(538)	(95)
Expenses not deductible for tax purposes	4,149	32,112
Other	(4, 212)	34,587
Income tax expense	**23,165**	**28,366**
Additional income tax payments	–	–
Total income tax expense	**23,165**	**28,366**

29. RETAINED EARNINGS

(CZK'000)

	2010	2009
Retained earnings from prior years	**157,076**	**221,180**
Profit for the period	101,919	126,315
Dividends paid	(118,286)	(176,236)
Allocations to other funds	(7,741)	(14,183)
Retained earnings as at 31 December	**132,968**	**157,076**

30. 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.

In estimating the fair values of the Group's financial instruments, the following methods and assumptions were used.

Classes of financial instruments according to IFRS 7	Methods applied and fair value estimates
Cash	The carrying amounts of the instruments are generally deemed to approximate their fair value.
Trade receivables	The carrying amounts of the instruments are generally deemed to approximate their fair value.
Securities at fair value	Revaluation of the carrying value to the fair value as at the balance sheet date according to the market price or according to estimates based on generally accepted valuation techniques.
Securities held to maturity	The carrying amounts of the instruments (depository short-term bills and short-term treasury bills) are generally deemed to approximate their fair value.
Other current assets	The carrying amounts of the instruments are generally deemed to approximate their fair value.
Trade payables	The carrying amounts of the instruments are generally deemed to approximate their fair value.
Short-term advances received	The carrying amounts of the instruments are generally deemed to approximate their fair value.
Other payables	The carrying amounts of the instruments are generally deemed to approximate their fair value.
Payables from margin deposits	The carrying amounts of the instruments are generally deemed to approximate their fair value

31. MANAGEMENT OF CREDIT RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Group actively reduces the credit risk, which arises mainly on the settlement of trades with 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 a direct debit authorisation 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 as well as open market of the Prague Stock Exchange, into mortgage bonds of Czech issuers, bonds traded in the markets of the OECD member states denominated in Czech crowns and to 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

(CZK'000)

	2010	2009
Cash	2,344,970	2,712,440
Trade receivables	82,424	58,116
Securities held for trading	43,481	122,368
Securities held to maturity	37,501	189,007
Other current assets	29,675	54,985
Other non-current assets	5,087	5,080
Total	**2,543,138**	**3,141,996**

Quality of Financial Assets Which Are Not Overdue or Impaired

(CZK'000)

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**	**2,543,138**

(CZK'000)

S&P rating 2009	AAA	AA- to AA+	A- to A+	BBB	No rating	Total
Securities held for trading	42,690	–	79,678	–	–	122,368
Securities held to maturity	–	–	189,007	–	–	189,007
Cash	–	1,204	152,092	–	2,559,144	2,712,440
Trade receivables	–	–	–	–	58,116	58,116
Other financial assets	–	–	–	–	54,985	54,985
Other non-current assets	–	–	–	–	5,080	5,080
Total	**42,690**	**1,204**	**420,777**	**–**	**2, 677,325**	**3,141,996**

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

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 100% shareholder Bank Austria Creditanstalt AG, Österreich, has rating A
Citibank Europe plc, organizační složka	A+
Clearstream bank	AA

2009	
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 100% shareholder Bank Austria Creditanstalt AG, Österreich, has rating A+
Citibank Europe plc, organizační složka	AA
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 CZK 2,494 thousand (2009: CZK 2,517 thousand). A 100% allowance was created for these receivables totalling CZK 2,494 thousand (2009: CZK 2,517 thousand). These receivables are not secured.

Out of these receivables there is claimed:
• at the Court as at 31 December 2010 CZK 1,201 thousand (2009: CZK 1,217 thousand);
• under forced administration as at 31 December 2010 CZK 1,294 thousand (2009: CZK 1,300 thousand).

Overdue Financial Assets, Not Impaired

The Group records past due receivables of CZK 1,063 thousand as at 31 December 2010 (2009: CZK 411 thousand).

(CZK'000)

Year	Aging structure – overdue financial assets						
	up to 60 days	uto to 90 days	up to 180 days	up to 360 days	uto to 2 year	2 years and more	Total
2010	–	981	82	–	–	–	1,063
2009	130	50	95	135	1	–	411

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

In prior years, the Group reinvested funds that were temporarily available in short-term, highly liquid securities. In 2010 the Group used these investments as collateral in order to obtain cash funds for financing 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 recognised in the nominal value, the actual residual maturity corresponds to the timing of the expected future cash flows.

Trade payables as at 31 December 2010 and 2009 have mature within 3 months.

Liabilities from margin deposits in the amount of CZK 1,911,318 thousand represent payables from the settlement of trades with electricity and financial derivatives (2009: CZK 2,582,642 thousand). These payables are due within 1 month.

Other financial liabilities comprise mostly of received collateral related to borrowed securities in the amount of CZK 298,285 thousand (2009: CZK 59,609 thousand). These payables are due within 3 months.

Derivatives

As at 31 December 2010 the Group has no outstanding derivative contracts.

The Group had outstanding derivative contracts with ČEZ, a.s. as at 31 December 2009.

Purchase of EUR	Payment (CZK'000)	Receipt (EUR'000)	Settlement date	Fair value of derivatives as at 31 December 2009 (CZK'000)
FX forward	105,168	4,030	25 January 2010	1,560

Purchase of EUR	Payment (CZK'000)	Receipt (EUR'000)	Settlement date	Fair value of derivatives as at 31 December 2009 (CZK'000)
FX swap – forward	92,447	3,571	25 January 2010	2,106
Positive fair value of derivatives				**3,666**

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.

33. MANAGEMENT OF MARKET RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

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.

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 recognised liabilities.

Sensitivity Analysis of the Foreign Exchange Risk

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 the value added tax outside the Czech Republic. It results in time discrepancy of cash flows and currencies between receiving the VAT tax refund in the Czech currency and meeting its obligations regarding payments to electricity suppliers in a foreign currency, i.e. in EUR.

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 2011. 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 2010, the financial profit increases by CZK 4,734 thousand with respect to the translation of assets and liabilities denominated in EUR with a corresponding increase in profit before tax for 2010.

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

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

(CZK'000)

	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)**	**–**

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 2009:

(CZK'000)

	CZK	EUR	USD and other	Total
Assets				
Cash	2,653,008	59,420	12	2,712,440
Trade receivables (net)	15,242	42,874	–	58,116
Advance payments made and other current assets	282,823	3,837	–	286,660
Receivables from derivatives	3,665	–	–	3,665
Securities held for trading at fair value	122,368	–	–	122,368
Securities held to maturity	189,007	–	–	189,007
Tangible fixed assets	11,875	–	–	11,875
Intangible fixed assets	6,162	–	–	6,162
Other non–current assets	5,080	–	–	5,080
Deferred tax asset	475	–	–	475
Total assets	**3,289,705**	**106,131**	**12**	**3,395,848**
Liabilities				
Trade payables	5,109	233,160	139	238,408
Taxes and other payables	2,662,948	–	–	2,662,948
Current advances received	6,188	179	–	6,367
Provisions	2,675	–	–	2,675
Shareholders' equity	485,450	–	–	485,450
Total liabilities	**3,162,370**	**233,339**	**139**	**3,395,848**
Net currency position as at 31 December 2009	**127,335**	**(127,208)**	**(127)**	**–**

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

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument, therefore, indicates to what extent it is exposed to interest rate risk. The table below provides information on the extent of the Group's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that re-price to a market rate of interest before maturity, the next re-pricing date. Those 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 2010

(CZK'000)

	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)**	**–**

Interest Rate Sensitivity as at 31 December 2009

(CZK'000)

	Up to 3 months	3 months to 1 year	1 to 5 years	Not specified	Total
Assets					
Cash	2,712,440	–	–	–	2,712,440
Trade receivables	–	–	–	58,116	58,116
Advance payments made and other current assets	–	–	–	290,325	290,325
Securities held for trading at fair value	68,128	9,802	44,438	–	122,368
Securities held to maturity	189,007	–	–	–	189,007
Tangible assets	–	–	–	11,875	11,875
Intangible assets	–	–	–	6,162	6,162
Other non-current assets	–	–	–	5,080	5,080
Deferred tax asset	–	–	–	475	475
Total assets	**2,969,575**	**9,802**	**44,438**	**372,033**	**3,395,848**
Liabilities					
Trade payables	238,408	–	–	–	238,408
Taxes and other payables	2,550,608	–	–	112,340	2,662,948
Current advances received	–	–	–	6,367	6,367
Provisions	–	–	–	2,675	2,675
Shareholders' equity	–	–	–	485,450	485,450
Total liabilities and equity	**2,789,016**	**–**	**-**	**606,832**	**3,395,848**
Net interest risk as at 31 December 2009	**180,559**	**9,802**	**44,438**	**(234,799)**	**–**

34. CAPITAL MAINTENANCE

The Group's capital comprises of its equity determined in compliance with the applied accounting principles. Individual items included in equity are presented in the Statement of changes in equity.

The objectives of the Group when managing the capital are as follows:

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

The primary business objective of the Group is to ensure a 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 short-term highly liquid securities of high credibility in order to increase their value or to support the extension of the Group's business activities, such as the sucessfull takeover of and commencement of central securities depository business in July 2010.

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

35. RELATED PARTIES

Effective from 8 December 2010, CEESEG Aktiengesellschaft (former Wiener Börse, AG) became the majority shareholder of the Group.

As at 31 December 2010 the Group has revenues amounting to CZK 480 thousand from CEESEG Aktiengesellschaft based on the Cooperation agreement related to sale of information, effective from 1 October 2009.

36. 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.

(CZK'000)

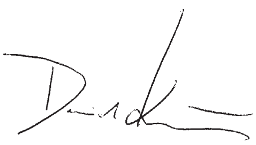
	2010	2009
Cash and balances with banks (Note 6)	2,344,970	2,712,440
Depository bills of exchange (Note 9)	37,501	189,007
Total	**2,382,471**	**2,901,447**

37. SUBSEQUENT EVENTS

In February 2011 POWER EXCHANGE CENTRAL EUROPE, a.s. introduced in cooperation with OTE, a.s. a possibility to place sell and buy orders on behalf of trading participants on OTE's spot market in order to secure physical delivery of electric power resulting from open position in financial futures.

Prague 15 March 2011

Petr Koblic
Chairman of the Stock Exchange Chamber



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