cee stock exchange group

2012: Annual Report

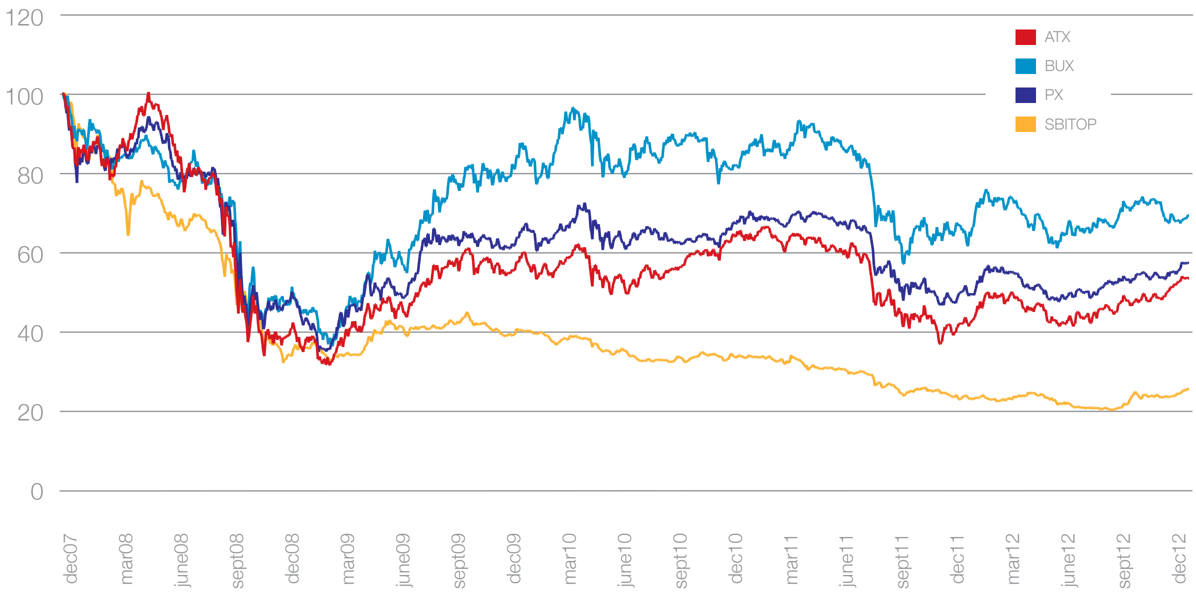
The CEE Stock Exchange Group and its Capital Markets 2012/13

PRAGUE STOCK EXCHANGE
BURZA CENNÝCH PAPÍRŮ PRAHA

Table of Contents

The ATX closed the year 2012 at 2,401.21 points, up by 26.94% versus year-end 2011.

The BUX reached 18,173.20 points by 31 December 2012, i.e. was up by 7.06% y/y.



On 31 December 2012, the PX closed at 1,038.70 points. This was a gain of 14.01%.

By the end of the year 2012, the SBITOP recorded growth of 7.79% to the previous year and closed at 635.51 points.

2012: One Step Closer to CEESEG's Vision

Another major milestone achieved

2012 was the fourth year of cooperation between the stock exchanges of Budapest, Ljubljana, Prague and Vienna which together form the CEE Stock Exchange Group (CEESEG). The Xetra® implementation at the Prague Stock Exchange in December 2012 brought the four Group members one step closer towards integration – three out of four members are now running on the same trading system – and also closer to the shared vision of giving all trading members easy access to the regional markets via one common trading platform. The example of the Ljubljana Stock Exchange, where Xetra® was installed two years earlier, shows that the implementation of an internationally recognized trading system attracts foreign trading members, and, consequently, increases the share in total trading volumes of international trading members. Cross membership is therefore another medium-term project we are simultaneously working on.

Other joint projects already finalized since the Group's formation include the establishment of a central holding company (CEESEG AG), the bundling of data vending operations in the ADH data feed of the Vienna Stock Exchange for all Group members, and the creation of many new products, especially indices. In 2012 alone, 17 new indices were added to CEESEG's index portfolio.

Highlights from Budapest, Ljubljana, Prague and Vienna

Numerous projects were successfully brought to completion at each of the four member exchanges. The approval of the general shareholder's meeting to replace the current trading system by Xetra® marks the most important highlight of the Budapest Stock Exchange (BSE) in 2012. Based on the general shareholders' meeting's decision a new market maker model is also planned. Following the successful launch of the BETa Market in 2011, trading in foreign equities improved in 2012 with the listing of new shares, futures contracts and the entry of a new market maker.

The Ljubljana Stock Exchange (LJSE) continued the intense efforts to promote Slovene issuers and stimulate trading by acquiring members and international investors. Special attention was devoted to the premium segment, Prime Market, to which the new blue chip, reinsurer Pozavarovalnica Sava d. d. (SAVA RE), was transferred in April 2012. Further activities include the intensive promotion of Slovene issuers by organizing investor conferences and webcasts. All these activities yielded the first visible results in the year 2012. The share of remote members in total turnover (excluding block trading) rose from 1% in 2010 to approximately 16% by 2012.

The highlight in 2012 at the Prague Stock Exchange was the migration to the new Xetra® trading system, which replaced the previous one on 30 November after nearly twenty years. The Prague market also introduced some new stocks in 2012. The Standard Market added the stock of OCEL HOLDING SE and ENERGOCHEMICA SE, while the elite Prime Market added the dual listing of Tatry mountain resorts, a.s.

For the Vienna Stock Exchange 2012 was an excellent year in the area of corporate bonds with an even larger number of issues than the year before: 29 new corporate bonds plus one tap issue were floated with an outstanding volume of EUR 5.5 billion (2011: 23 corporate bonds, EUR 3.3 billion). Another highlight was the completion of an update of the Xetra® trading system that has been in use at the Vienna Stock Exchange since 1999. In November 2012, the latest version of this state-of-the-art trading platform went live. The updated version features numerous functional enhancements.

Stock market performance better than sentiment

Although the media was dominated by the economic crisis and speculation about sovereign default and the possibility of the euro zone's collapse, international stock markets performed surprisingly well in 2012. In some cases they even posted double-digit growth, e.g., the ATX (Austrian Traded Index) of CEESEG member Vienna Stock Exchange climbed 26.94%. All in all, performance was much better than sentiment on the markets. This was particularly true for the second half of the year.

For 2013, macro-economic experts forecast a further moderate recovery of the economy. Especially CEE countries are expected to achieve better growth rates at lower levels of state debt. In the present market environment, stock investments have a clear edge over other asset classes.

Four Stock Exchanges – One Strong Alliance

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

The holding company CEESEG AG

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

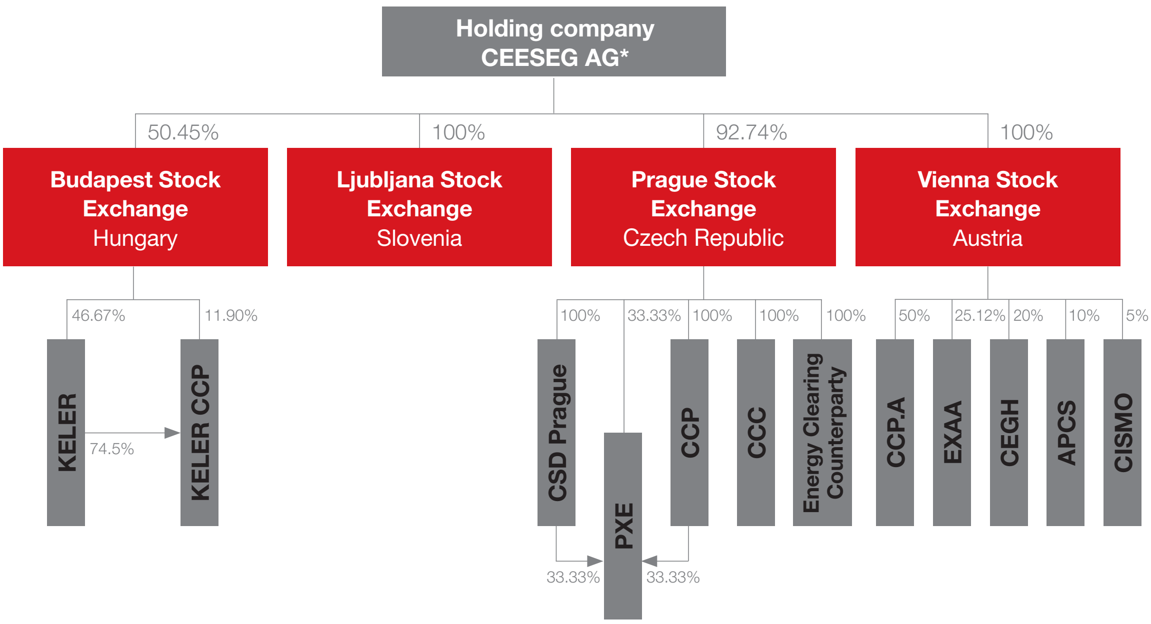
At the international level, CEESEG coordinates joint measures to increase the visibility of the four markets and to acquire professional market participants such as data vendors and index licensees, institutional investors and trading participants for the member exchanges.

The organizational structure of the CEE Stock Exchange Group combines the benefits of the home market principle – listed companies enjoy wider recognition and greater media interest in their own countries – with the requirements of international capital markets.

News from CEESEG AG in 2012

CEESEG AG successfully completed the takeover procedure of the Ljubljana Stock Exchange and became a 100% owner of the LJSE in May 2012. It now holds 100% of the exchanges of Ljubljana and Vienna. CEESEG also owns 50.45% of the Budapest Stock Exchange and 92.74% of the Prague Stock Exchange.

On 1 March 2012, there was a change to the Management Board of the Group. Petr Koblic, Chairman of the Management Board of the Prague Stock Exchange, joined the Management Board of CEESEG AG as a new member and succeeded Heinrich Schaller who left the management boards of the Vienna Stock Exchange and the CEE Stock Exchange Group. The Vienna Stock Exchange is now jointly run by Michael Buhl and Birgit Kuras and the exchange holding company CEESEG AG is managed by Michael Buhl and Petr Koblic. Michael Buhl has been on the Management Board of CEESEG AG since January 2010 when it was founded.



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

Joint Projects at the International Level

The four CEESEG partner exchanges have finalized a number of short and medium-term projects aimed at shifting the regional markets into the focus of international market participants. This goal is achieved by facilitating access to the four local markets. Major milestones include, e.g., the bundling of data dissemination for all Group members and the implementation of the Xetra® trading system at CEESEG's member exchanges in Ljubljana and Prague.

A highlight of the year 2012 was the launch of the Xetra® trading system at the Prague Stock Exchange on 30 November 2012. Prague joined the other Group members, the Vienna Stock Exchange and the Ljubljana Stock Exchange, on which Xetra® has been in use since 1999 and 2010 respectively. The implementation of Xetra® at the Prague Stock Exchange marks yet another major step towards the Group's integration. Three out of four members are now running on a common trading system. The Budapest Stock Exchange's changeover to Xetra® is scheduled to follow in 2013.

In accordance with the Xetra® implementation plan, a key element of our efforts is to enable the cross membership of national and international trading members. The stock exchanges of Vienna and Ljubljana were the first ones to commence with cross membership. The Xetra® introduction at the Ljubljana Stock Exchange increased the number of foreign trading members to five. Cross membership also involves the harmonization of all relevant membership contracts and the standardization of all trading rules as far as possible.

Furthermore, we are currently also evaluating the possibilities of setting up a common clearing system for all CEESEG members. Our long-term goal is to harmonize the market segments, the general terms and conditions of business as well as clearing and settlement.

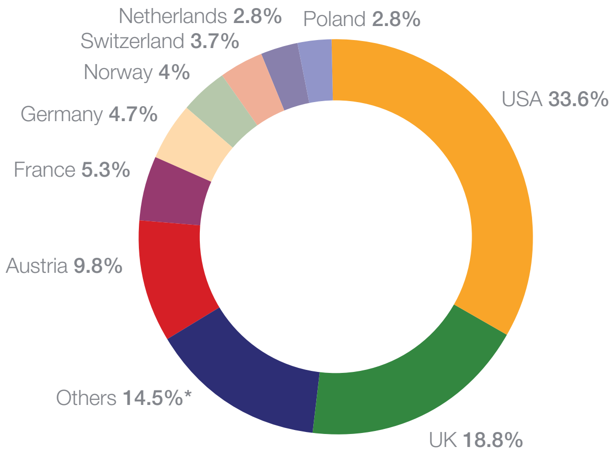
Road shows at all major financial markets

Apart from these medium to long-term projects, the Vienna Stock Exchange on behalf of CEESEG has been organizing investor conferences jointly with banking partners and listed companies at all major financial centers of the world. The purpose is to give the companies listed on the Group's member exchanges an opportunity to present themselves to an audience of international investors and to increase their visibility.

In 2012, five investor conferences took place in London, Milan, New York, Paris and Zurich. 60 companies participated, and more than 300 meetings with approximately 190 investors were held. The road shows organized in 2012 garnered great interest, as clearly demonstrated by the trend towards bigger conferences: More companies and investors participated, and there were more meetings on average.

An extensive road show program to major international financial centers is planned again for 2013.

A study conducted by the financial information provider, Ipreo, highlights the importance of road shows to promote international presence. The top investors that own shares in the companies listed on the member exchanges of the CEE Stock Exchange Group are primarily international institutional investors from the US (33.6%), UK (18.8%), Austria (9.8%), France (5.3%), and Germany (4.7%).



* Includes: Canada, Czech Republic, Denmark, Hungary, Slovenia, Sweden
Source: Ipreo

Wide network of exchanges in CEE

The four CEESEG members not only cooperate closely with each other, but have established a wide network comprising a large number of stock exchanges in Central and Eastern Europe. The Group has unique CEE know-how that is appreciated by some 180 trading members, international investors, approximately 250 data vendors and more than 100 index customers worldwide.

One Data Feed, Thirteen Markets

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

In May 2012, the Belgrade Stock Exchange's data was added to the ADH data feed after it had joined CEESEG's data vending alliance in 2011. Currently, the price data of five additional exchanges from the region of Central and Eastern Europe which cooperate with the CEE Stock Exchange Group – Banja Luka, Belgrade, Bucharest, Macedonia and Sarajevo – are part of the ADH data feed. This creates easy access for vendors to the market data of nine CEE stock exchanges via a single access point.

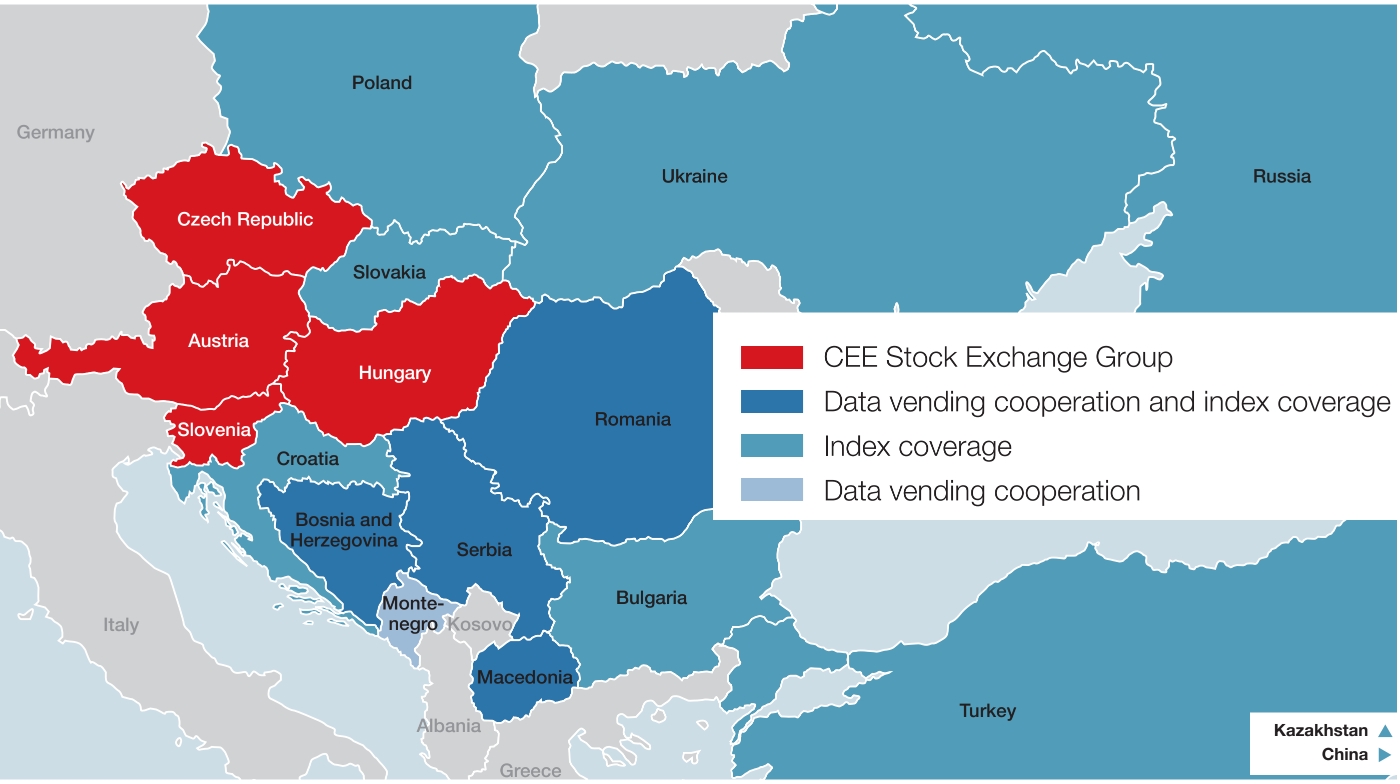
Additionally, the data of three power exchanges are also included: EXAA Energy Exchange Austria, CEGH Gas Exchange of the Vienna Stock Exchange and POWER EXCHANGE CENTRAL EUROPE in Prague.

Following the signing of an agreement on data vendig cooperation with the Montenegro Stock Exchange, a thirteenth market will be included shortly. Data vendors can subscribe to the prices of the Montenegro Stock Exchange via the ADH data feed of the Vienna Stock Exchange. They use their existing lines to receive the data in the same format and structure as all other market data disseminated via ADH.

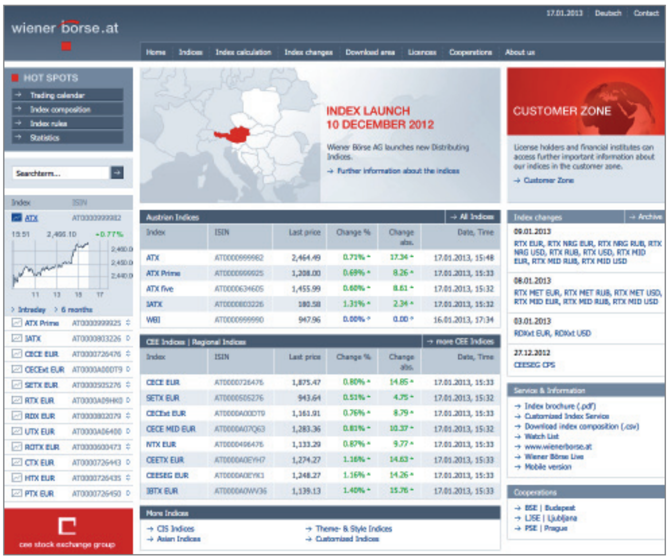
CEESEG has received many positive responses to its "one-stop-shop" approach that fits clients' needs and the current trend towards lean, cost-saving, and more efficient solutions, as clients prefer to subscribe to the data of several markets. Data sent via the ADH data feed is viewed on over 23,000 terminals in trading rooms around the world.

More information is available from the Market Data Services business unit of the Vienna Stock Exchange.

- One data feed for thirteen markets saves time and money because it requires only one technical connection
- Less administrative work and lower costs through the "one-stop-shop" model
- 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). It calculates and disseminates some 90 indices that represent the national, regional and sector-specific developments in Austria, 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.

16 markets covered by CEESEG's indices

The CEE Stock Exchange Group specializes in index calculation for the markets of Austria, Eastern and Southeast Europe, Turkey as well as Russia and China. Overall, the CEE Stock Exchange Group covers 16 markets with its range of indices and is globally the most widely recognized provider for the region.

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

Broad range of Group indices

Since the official start of the CEE Stock Exchange Group several blue chip indices have been launched that track companies listed on the stock exchanges of Budapest, Ljubljana, Prague and Vienna. These indices include 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, a benchmark index made up of the stocks of the four leading indices of the Group's member exchanges (ATX, BUX, PX and SBITOP). Other Group indices comprise the CEETX Fundamental, four CEESEG sector indices as well as three CEESEG top dividend indices.

Index portfolio broadened by 17 new indices in 2012

2012 was again a particularly active year in the area of indices. 17 new indices were added to CEESEG's index range. Nine new leverage indices based on the ATX, the CECE and the RDX were launched in February. As the outcome of a unique cooperation project between the stock exchanges of Istanbul and Vienna, the IBTX (Istanbul Traded Index) and IBTX Banking were added to the index portfolio in September. The IBTX is additionally calculated as a total return index and a net total return index. Two new performance indices, the SETX Total Return and the SETX Net Total Return were launched in October. December, finally, saw two new distributing indices, the ATX Distributing and the ATX Top Dividend Distributing.

Underlying for structured products with a reference to CEE

A total of 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, most structured products with a CEE reference are based on these indices.

In-depth data

The performance of most of the indices of CEESEG can be viewed at www.indices.cc. For professional market participants, the internet platform also offers additional information on index adjustments, index committee decisions, watch lists, and a trading calendar.

- Some 85 indices from a single source
- Globally recognized as an expert for CEE and CIS indices
- Excellent knowledge of regional capital markets
- Attractive underlying for structured products

Hungary: Macroeconomic Outlook

After the expected drop of real GDP of around 1.4% in 2012, there might be a further moderate decline in 2013. An IMF agreement may only come in the case of a strong deterioration of the forint or government bond market, which was not the case at the beginning of 2013. We might see further rate easing by the Monetary Policy Council (MPC) in 1H 2013 (from 5.75%). The greatest risk, however, is a possible radical change of the central bank policy in 1H 2013.

Country at a glance

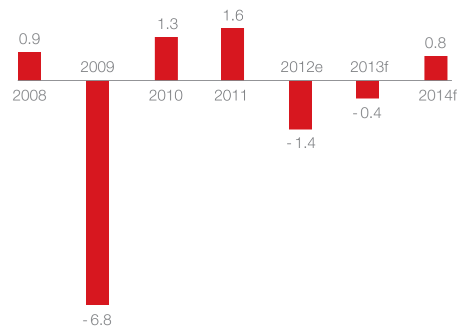
Official Language	Hungarian
Capital	Budapest
Area	93,036 sqkm
Population*	9,957,731 (2012)
Nominal GDP*	EUR 99,818.9m (2011)
GDP per Capita in PPS (EU-27 = 100)*	66 (2011)
Currency	1 Forint = 100 Filler
Time Zone	UTC+1 CET UTC+2 CEST (March to October)
Internet Suffix	.hu
Country Code	+36

* Source: Eurostat

Economic outlook

After the Hungarian economy grew slightly in 2010 and 2011, driven by exports and fiscal easing, preliminary figures indicate a contraction of 1.4% in 2012 due to euro area weakness and strong fiscal austerity. The government's controversial and unpredictable economic policy remains a burden on growth, which is apparent when one looks at the poor investment figures. Given that expiring "crisis" taxes have to be replaced in 2013 by other measures, the fiscal policy bias is not going to be very expansive. A mild economic decline of 0.4% in 2013 may be expected also due to the lack of investments (only around 16% to 17% of GDP), a trend caused by the difficult lending market and the high degree of uncertainty regarding economic policy. For 2014, we estimate only a moderate rate of 0.8% in real GDP growth.

Real GDP (growth y/y %)



Despite the weakness of the economy, we expect the trade surplus to widen marginally in 2013, after rising to just slightly more than EUR 7 billion in 2012. The principal reason is sluggish domestic demand. As household consumption and investments are expected to decline further, import growth could remain subdued and is expected to underperform exports despite the still not too encouraging external outlook. However, the trade surplus will be partly offset by income outflows. After the EUR 0.9 billion current account balance in 2011 (0.9% of GDP), the surplus probably widened to around EUR 1.7 billion in 2012, and we now expect it to expand to EUR 2.2 billion in 2013.

Economic and fiscal data	2008	2009	2010	2011	2012e	2013f	2014f
Real GDP (growth y/y %)	0.9	(6.8)	1.3	1.6	(1.4)	(0.4)	0.8
Fixed capital formation (growth y/y %)	2.9	(11.1)	(9.5)	(3.6)	(6.5)	(4.5)	2.0
Private consumption (growth y/y %)	(0.2)	(5.6)	(3.3)	0.4	(2.0)	(1.1)	0.5
Trade balance (% of GDP)	(1.1)	2.6	3.3	3.4	4.3	4.7	4.3
Current account balance (% of GDP)	(7.3)	(0.2)	1.1	0.9	1.7	2.1	1.8
CPI (average % y/y)	6.1	4.2	4.9	3.9	5.7	4.4	3.8
Unemployment (%)	7.8	10.0	11.2	10.9	10.8	10.8	10.6
General budget balance (% of GDP)	(3.7)	(4.6)	(4.2)	4.3	(2.8)	(2.6)	(2.7)
Public debt (% of GDP)	73.0	79.8	81.8	81.4	78.4	78.7	78.4
Foreign debt to GDP (%)	116.9	150.1	143.1	132.1	124.6	117.1	110.4
Industrial production (y/y %)	0.0	(17.8)	10.6	5.4	(0.7)	2.0	4.0
Retail sales (growth y/y %)	(1.6)	(5.3)	(2.1)	0.2	(2.0)	(1.3)	1.2
LCY/EUR average	251.3	280.6	275.4	279.2	288.5	285.0	282.5
LCY/USD average	171.8	202.3	208.1	200.9	231.0	235.5	235.4

Source: Erste Group

Labor market conditions are expected to remain relatively unchanged in 2013 versus the previous year. The average rate of unemployment is forecast at 10.8%, similar to the level of 2012. The labor market participation rate should increase further, which is a positive sign, but private sector employment is not expected to increase in 2013. In fact, a slight decrease in private sector employment cannot be ruled out, similarly to 2012. The rise in employment according to official statistics is partly attributable to the higher number of state-subsidized jobs in 2012.

As for inflation, the government's actions will have a major impact on prices just like in 2012 when consumer prices edged up 5.7% on average. In 2013, we expect inflation to decline, because the VAT increase of 2012 will no longer be felt and we will also see household energy prices drop by 10% (by government order). The increase in excise taxes and the financial transaction tax are intended to counteract these effects. All in all, we expect inflation to reach 4.4% in 2013. While we perceive some downward risks due to potential cuts to household energy prices by the government, our forecast is still well above the 3% central bank target. This said, it will still not prevent the MPC from slashing the policy rate further, by 75 bp to 5% by the end of 1H 2013, given the sluggish economic activity, which recently became a major element of the rationale of the MPC's external members (these members were nominated de facto by the government). The greatest risk regarding the Hungarian market is clearly a change at the head of the central bank in March 2013.

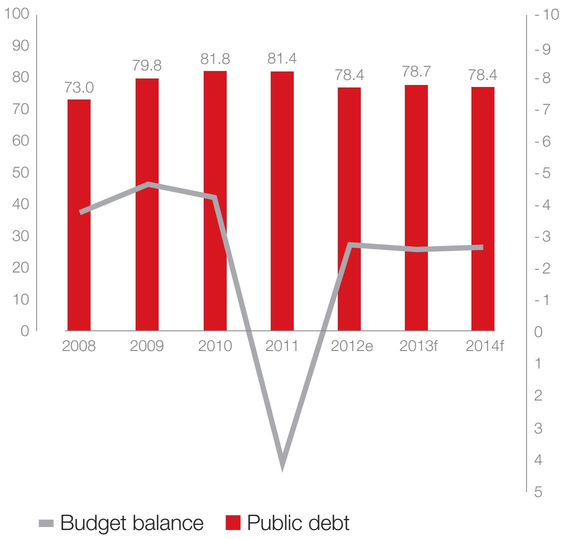
Fiscal outlook

Until the end of 3Q 2012, the ESA deficit was only 1.8% of GDP, while the cash-flow-based deficit in the central budget (excluding municipalities) was only 2.1% of estimated GDP for the full year 2012. Accrual-based figures and municipality figures will be disclosed in February and March 2013. However, the ESA-based budget deficit almost certainly did not reach 3% of GDP and we also believe there is a risk that our 2.8% deficit forecast is somewhat pessimistic. Against this backdrop, we believe the chances are high that the deficit will stay below 3% of GDP in 2013 as well if the cabinet does not start to increase spending prior to the 2014 elections. In the first half of 2013, we believe that it is more likely that Hungary will get out of the Excessive Deficit Procedure (EDP), which started in 2004.

Equity market outlook

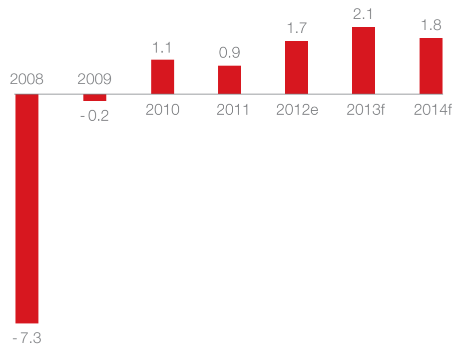
The Hungarian leading index, BUX, posted a moderate gain of 7.06% in 2012, while average daily turnover deteriorated further. The good news is that, by the end of 2012, the activity of investors had livened up and the market showed something of a recovery in terms of the value of the index as well as in trading volumes. It seems that, after the bad years, the times ahead will be better.

Budget balance & public debt (% of GDP)

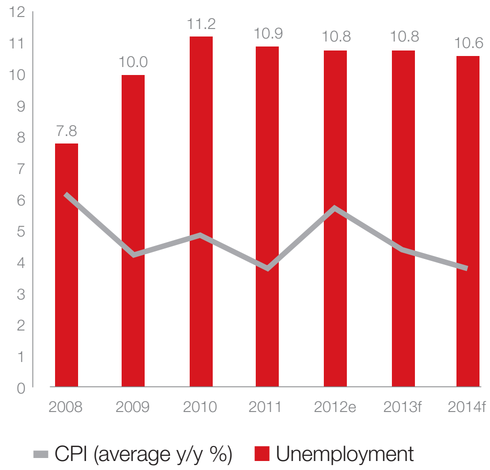


The major aim of the Hungarian government is to end the EDP with the European Commission. In the last two or three years, most of the government's actions were motivated by this objective and most of the costs were paid by corporations, including most stocks listed on the BSE. After the "crisis" taxes were abolished at the end of 2012, other taxes were introduced in almost the same amount for companies. The difference compared to the previous one(s) is that some of these taxes can be passed onto customers, at least partially. After the above-mentioned steps, the government communicated that it does not intend to carry out any further major changes to the taxation system. A possible end of the EDP significantly decreases the probability of further burdens on companies, unless the government expects companies to pay the election bill, i.e., by increasing budget spending prior to the elections. A potential drop in the probability of another measure against corporations decreases the risk costs on the Hungarian market.

Current account balance (% of GDP)



Inflation outlook & unemployment



The Hungarian equity market is trading significantly below its historical P/E average like numerous other equity markets. In the case of decreasing premiums from domestic and international sources, the valuation of the market will get closer to its historical levels. This suggests a solid double-digit increase of the Hungarian stock market in 2013, with a possible recovery in turnover, too.

Erste Group Research
Hungarian Research Team

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.

The BUX includes the following companies:

- Appeninn Plc
- CIG Pannonia Life Insurance Plc
- EGIS Pharmaceuticals Plc
- EST MEDIA Plc
- FHB Mortgage Bank Co Plc
- Gedeon Richter Plc
- Magyar Telekom Plc
- MOL Plc
- OTP Bank Plc
- PannErgy
- Synergon information Systems plc

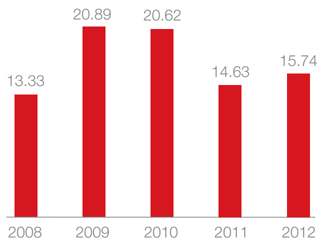
The logos below show the five companies of the BUX with the highest market capitalization.

Key Figures of the Budapest Stock Exchange

Leading index	
Performance 2012 (30 Dec 2011–30 Dec 2012)	+7.06%
5-year-performance (30 Dec 2007–30 Dec 2012)	-30.73%
Equity market capitalization (30 Dec 2012)	EUR 15.74 bn
Number of listed companies	52
Number of trading members	39
Number of securities (30 Dec 2012)	
▪ equity market	53
▪ bond market	186
▪ structured products	59
Legal framework	EU Capital Market Legislation, Code of Conduct according to OECD standards, BSE rules

Equity market capitalization 2008 to 2012

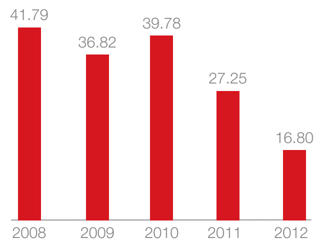
Market capitalization in euro was higher at the Budapest Stock Exchange at year-end versus the previous year. Since the current level of equity market capitalization in local currency is just slightly above the level of the end of 2011, the 7.6% rise may be attributed to the 6.8% appreciation of the local currency. Although there were some new issues in 2012, they did not have any significant effect on the capitalization.



(in EUR bn / Source: FESE)

Domestic equity trading 2008 to 2012

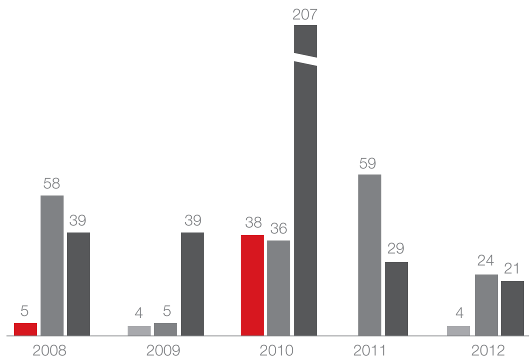
Following a good start at the beginning of the year, the value of domestic equity trading turned into a decline and hit the bottom in late summer. A share of 55% of trades were concluded in the first half of the year, and by the end of 2012, the share had dropped by 38% compared to the like period of the previous year amounting to EUR 8.4 billion (single count). Nonetheless, BSE's certificates market performed well: Apart from achieving EUR 250 million in turnover, products with new underlyings became available for trading in 2012.



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

New share issues 2008 to 2012

One company, Business Telecom Plc., joined BSE's equity market in 2012 through a technical listing of its shares. In addition, Masterplast Plc. brought new shares to the floor as a secondary public offering with a value of EUR 4.2 million. The total value of the share capital increases was EUR 23.6 million divided equally between the two halves of 2012.

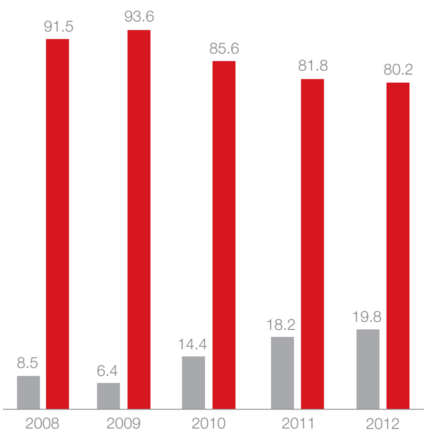


(in EUR m / Source: Budapest Stock Exchange)

Initial public offering
Capital increase
Secondary public offering
Technical listing

Trading volume of national and international members 2008 to 2012

In 2012, the activity of both national and international trading members declined significantly. The tendency of the previous years continued, with a slight increase being seen in the share of international trading members. Domestic members, however, still played the main role on both the spot and the derivatives markets. International trading members remained active only on the spot market, generating 19.8% of the turnover.



(in % / Source: Budapest Stock Exchange)

International
National

Slovenia: Macroeconomic Outlook

Raiffeisen Bank International

GDP data in 3Q 2012 once again disappointed with -3.3% y/y and the outlook for the coming quarters is not overly optimistic. The continued decline of the construction sector and a troubled state-owned banking sector remain the main concern. On the positive side, first reform efforts in the pension system and plans to set up a bad bank have been implemented.

Country at a glance

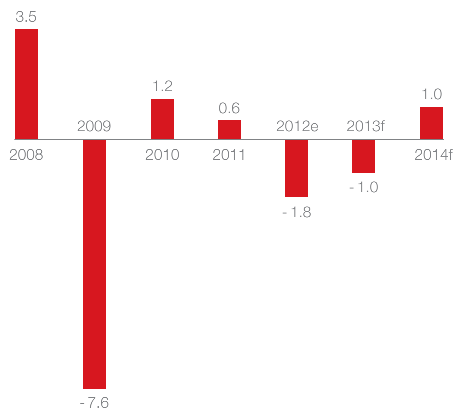
Official Language	Slovene
Capital	Ljubljana
Area	20,273 sqkm
Population*	2,055,496 (2012)
Nominal GDP*	EUR 36,171.8m (2011)
GDP per Capita in PPS (EU-27=100)*	84 (2011)
Currency	1 Euro = 100 Cent
Time Zone	UTC+1 CET UTC+2 CEST (March to October)
Internet Suffix	.si
Country Code	+386

* Source: Eurostat

Economic outlook

Slovenia's 3Q GDP figures were again disappointing at -3.3% y/y (-0.6% q/q), underpinning the extremely weak economic situation. This figure comes after a y/y decline of 3.2% (-1.1% q/q) in 2Q 2012. Consequently, the economy slipped into recession in 3Q again with two consecutive quarters of negative q/q growth rates. Gross capital formation in particular was seeing a strong setback in 2012. The structure of weak domestic demand, above all, gross capital formation will prevail in 2013 according to our estimates. The construction sector witnessed the strongest declines and contracted by more than 11% on average in the first three quarters of 2012. This is not overly surprising, given that the construction sector was expanding rapidly with the support of bank lending by the state-owned banking sector before the outbreak of the financial crisis. Although we expect to see some first signs of improvement, especially in the second half of 2013, we still project a GDP decline of 1% y/y in 2013. Only for 2014 do we expect to see a slow return to growth with GDP projected to rise by 1% y/y.

Real GDP (growth y/y %)



As a small, open economy Slovenia relies on exports. The sluggish economic development in the euro zone, where we expect GDP to come in at only -0.1% y/y in 2013, will not afford Slovenia any stronger support. On the one hand, Germany is the main trading partner that accounts for roughly 20% of total exports from

Economic and fiscal data	2008	2009	2010	2011	2012e	2013f	2014f
Real GDP (growth y/y %)	3.5	(7.6)	1.2	0.6	(1.8)	(1.0)	1.0
Nominal GDP (EUR bn)	37.1	35.6	35.6	36.2	36.5	36.9	38.0
Current account balance (% of GDP)	(6.2)	(0.7)	(0.6)	0.0	1.9	2.7	1.3
CPI (average y/y %)	5.7	0.9	1.8	1.8	2.5	2.5	2.3
Consumer prices (eop y/y %)	2.1	1.8	1.9	2.0	2.3	2.1	2.0
Producer prices (average y/y %)	3.9	(1.3)	2.1	4.4	0.9	1.5	2.0
Unemployment (%)	4.4	5.9	7.3	8.2	8.7	8.8	8.6
General budget balance (% of GDP)	(1.9)	(6.0)	(5.7)	(6.4)	(4.5)	(3.5)	(3.2)
Public debt (% of GDP)	22.0	35.0	38.6	46.9	51.0	53.0	54.0
Industrial output (y/y %)	(1.6)	(16.5)	6.9	3.7	1.0	1.5	3.0
Nominal industrial wages (y/y %)	9.9	4.6	3.6	2.7	3.5	3.0	4.0
Official FX reserves (EUR bn)	0.7	0.7	0.8	0.8	0.8	0.8	0.8
EUR/USD (average)	1.47	1.39	1.33	1.39	1.30	1.32	1.33

Source: Thomson Reuters, wiiw, Raiffeisen Research

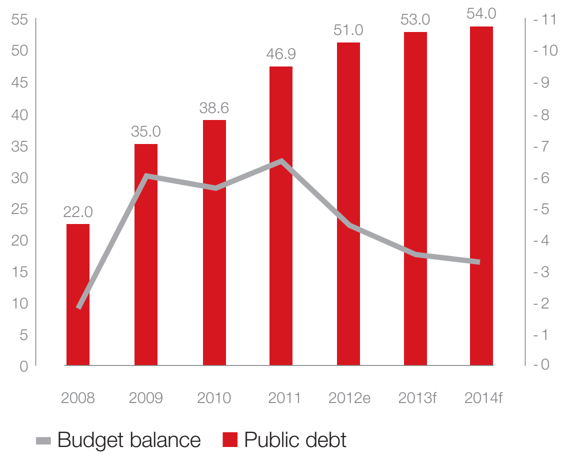
Slovenia and has continued to withstand the economic slowdown better than other euro zone countries. On the other hand Italy, Croatia and Hungary are also important trading partners with an export share for Slovenia of some 20% and these economies are among the weakest in respect to economic growth.

Fiscal outlook

Despite the fact that the parliament recently adopted a pension reform under which the retirement age was raised to 65 or 40 years of national insurance contribution before qualifying for a pension, there are numerous difficulties which still have to be overcome. Threats of referendums by the opposition and the trade unions continued, especially in relation to the creation of a bad bank and the establishment of a state holding to manage publicly owned companies and take care of privatizations. But recently, a court ruled against the possibility of conducting referendums on these topics, paving the way for their implementation. While this is good news for the implementation of these reform measures, the pressure on politics will remain high.

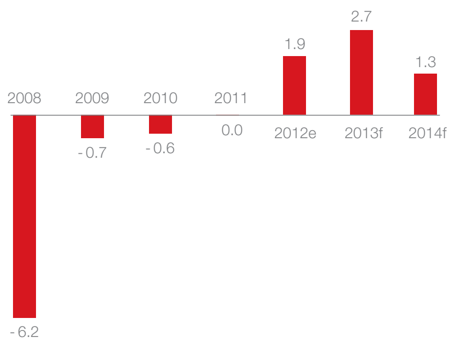
Slovene lawmakers passed a budget for the next two years, aiming for a deficit below 3% of GDP in 2013 and a balanced budget by 2015. The plan includes austerity as well as revenue-boosting measures and is based on conservative GDP estimates. Nevertheless, the possible delay in reform efforts or higher state guarantees or capital injections at state-owned banks could – in our view – still lead to the deficit goals being missed. For 2013, Slovenia plans to issue two bonds with a volume of about EUR 4 billion in order to recapitalize its banks, according to Finance Minister Sustersic. In particular, the banking sector contains risk potentials which could still make an application for a bailout by the EU/EMS

Budget balance & public debt (% of GDP)



necessary during 2013. We remain moderately pessimistic about the GDP budget deficit goal staying below 3% in 2013 and about the planned path to a balanced budget in 2015. Pressure from the rating agencies is likely to persist in the coming months and especially S&P's, but also Fitch, are likely to downgrade Slovenia's rating in the coming months.

Current account balance (% of GDP)



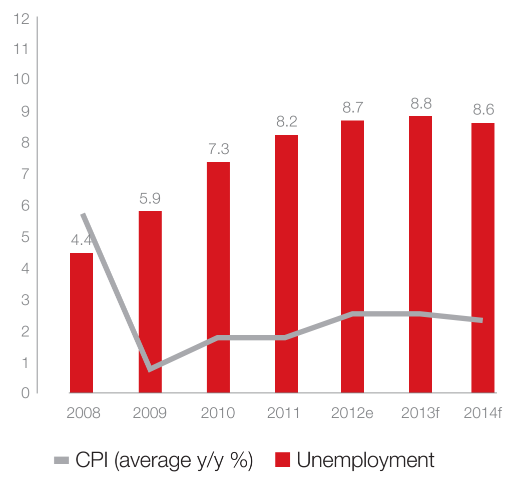
Equity market outlook

After two years in negative territory, the SBITOP ended the year 2012 in positive terrain with a performance of nearly 8%, in line with most other CEE equity markets. Market sentiment was positively impacted by the release of more aid for Greece which resulted in a relief at the front of the European debt crisis. With the mitigation of the "fiscal cliff" risk in the USA investors again favoured risky assets resulting into a surge of stock prices in Ljubljana at the turn of the year.

With a market capitalization of EUR 4.9 billion at year-end 2012 the Ljubljana Stock Exchange is small in international terms but can be described as a high opportunity financial market as regards volatility, with a high risk-return profile.

In terms of valuation, the stocks in the blue chip index SBITOP are trading at a P/E ratio of 13.2 based on the anticipated earnings for 2013 which reflects a significant premium in contrast to its neighbouring markets. However, one has to mention that the SBITOP consists of just seven members and this makes it difficult to compare it with broader peers. In terms of P/B ratio, the Slovene blue chips are trading at moderate levels (aggregated P/B ratio 2013f: 0.9) and in line with their peers in SEE but quite attractive compared to other markets (e.g. Euro Stoxx 50 P/B ratio 2012f: 1.2).

Inflation outlook & unemployment



In general, we expect to see a positive development on the Ljubljana Stock Exchange in 2013. The economic conditions in the euro zone and in the USA are presently not ideal, but they are forecast to improve considerably during the second half of 2013. This should spur confidence among international investors and lead to increased flows of foreign capital into the country. The long-term growth prospects of the Ljubljana Stock Exchange are probably also still intact, thanks to the convergence process.

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

The Largest Companies on the Ljubljana Stock Exchange

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

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

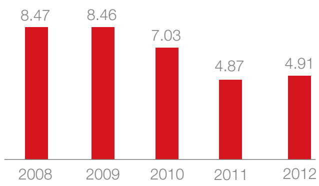
The logos below show the five companies most representative of the SBITOP.

Key Figures of the Ljubljana Stock Exchange

Leading index	
Performance 2012 (30 Dec 2011–30 Dec 2012)	+7.79%
5-year-performance (30 Dec 2007–30 Dec 2012)	-74.77%
Equity market capitalization (30 Dec 2012)	EUR 4.91 bn
Number of listed companies	61
Number of trading members	22
Number of securities (30 Dec 2012)	
▪ equity market	63
▪ bond market	60
▪ structured products	1
Legal framework	EU Capital Market Legislation, Code of Conduct according to OECD standards, LJSE rules

Equity market capitalization 2008 to 2012

Total LJSE equity market capitalization was EUR 4.91 billion at the end of December 2012.

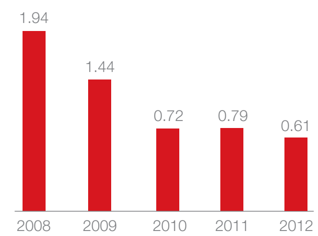


(in EUR bn / Source: FESE)

Domestic equity trading 2008 to 2012

The domestic equity trading volume (double count) recorded in 2012 amounted to EUR 605.73 million, with total LJSE trading volume (including bonds and investment funds) amounting to EUR 720.77 million. This translates into an average monthly trading volume of EUR 60.06 million. Total trading volume without block trading amounted to EUR 548.24 million. The large part of turnover was generated by equity trades (84%), while bonds and investment funds contributed a further 15.4% and 0.5%, respectively.

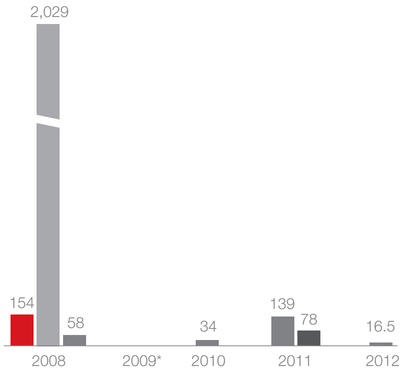
The most actively traded stock on the Prime Market in 2012 was Krka, which stood for 46.6% of all equity deals. The LJSE Prime Market currently lists ten Slovene blue chips, which accounted for 89.5% of the equity trading volume in 2012. The other two largest contributors to equity trading were Mercator, which generated 14.6% of all equity transactions, and Petrol, which contributed a further 8.4%.



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

New share issues 2008 to 2012

The adverse market situation was one of the key reasons for the small number of capital increases in 2012 (seven capital increases raised a total of EUR 16.5 million). New listings in 2012 included bonds, which were issued with a total nominal value of EUR 39.5 million, and commercial papers with a total nominal value of EUR 124 million.



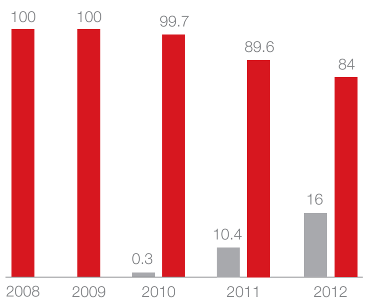
(in EUR m / Source: Ljubljana Stock Exchange)

Initial public offering
Capital increase
Secondary public offering
Technical listing

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

Trading volume of national and international members 2008 to 2012

The major share of LJSE trading volume in 2012 was generated by domestic members, which executed 84% of all trades. In December 2012, the LJSE had 18 domestic members and 5 international remote members.



(in % / Source: Ljubljana Stock Exchange)

International
National

Austria: Macroeconomic Outlook

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

Country at a glance

Official Language	German
Capital	Vienna
Area	83,879 sqkm
Population*	8,443,018 (2012)
Nominal GDP*	EUR 300,712.4m (2011)
GDP per Capita in PPS (EU-27 = 100)*	129 (2011)
Currency	1 Euro = 100 Cent
Time Zone	UTC+1 CET UTC+2 CEST (March to October)
Internet Suffix	.at
Country Code	+43

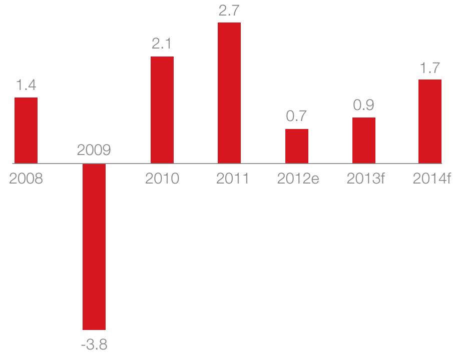
* Source: Eurostat

Economic outlook

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

The dynamic export growth rates highlight the fact that Austria is an open and competitive economy. Since 2002, the Austrian current account has been positive, which confirms the international competitiveness of the country. About one third of its exports go to Germany, while the CEE region accounts for roughly one sixth, Italy for 8%, the BRIC countries for 6%, USA for 5%, and France for 4%.

Real GDP (growth y/y %)



More than half of Austrian exports go to the euro area and are thus unaffected by exchange rate fluctuations. While demand from the euro area and parts of CEE is currently subdued, demand from outside the euro area acts as a stabilizing factor.

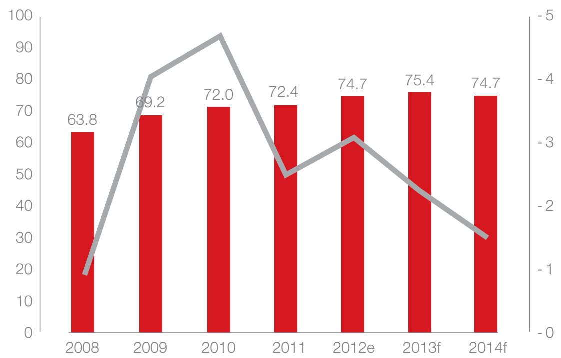
On a positive note, private consumption increased steadily also during the recession and is therefore a stable element of the Austrian economy. Since their lows in late 2011, sentiment indicators have not been able to improve significantly. Nevertheless, we expect an improvement in the course of this year. If the forecasts for 2013 (GDP: +0.9%) and for 2014 (GDP: +1.7%) turn out to be correct, Austria should again outperform the average growth rate of the euro area in both years.

Economic and fiscal data	2008	2009	2010	2011	2012e	2013f	2014f
Real GDP (growth y/y %)	1.4	(3.8)	2.1	2.7	0.7	0.9	1.7
Fixed capital formation (growth y/y %)	0.7	(7.8)	0.8	7.3	0.7	1.1	1.3
Private consumption (growth y/y %)	0.7	1.1	1.7	0.7	0.4	0.4	1.2
Exports (growth y/y %)	1.4	(15.6)	8.7	7.2	1.7	2.8	5.4
Imports (growth y/y %)	0.0	(13.3)	8.8	7.2	1.1	2.5	4.4
Current account balance (% of GDP)	4.9	2.7	3.4	0.6	1.9	2.0	2.2
CPI (average % y/y)	3.2	0.4	1.7	3.6	2.5	1.9	1.7
Unemployment (%)	3.8	4.8	4.4	4.2	4.4	4.6	4.6
General budget balance (% of GDP)	(0.9)	(4.1)	(4.5)	(2.5)	(3.1)	(2.3)	(1.5)
Public debt (% of GDP)	63.8	69.2	72.0	72.4	74.7	75.4	74.7

Source: WIFO (Austrian Institute of Economic Research), Eurostat, OeNB, BMF, Erste Group Research

The Austrian labor market ranks among the top markets of the euro area because of its very low unemployment rate. In October 2012, the rate was 4.3%, which ranks the country as number one in the euro area ahead of Luxembourg. This also means that the Austrian unemployment rate is less than half of that of the EU which was 10.7%.

Budget balance & public debt (% of GDP)



We expect the unemployment rate to increase marginally this year and to remain stable in 2014. Inflation was high in 2011 but started to decline in 2012 (2.9% as of November), thus being above the average euro area inflation rate, which was at 2.2%. Inflation was driven mainly by higher rents and food prices. Excluding the increases in energy, food, alcohol, and tobacco (core inflation), prices rose by 2.8%. For 2013, we expect an inflation rate of 1.9%.

Fiscal outlook

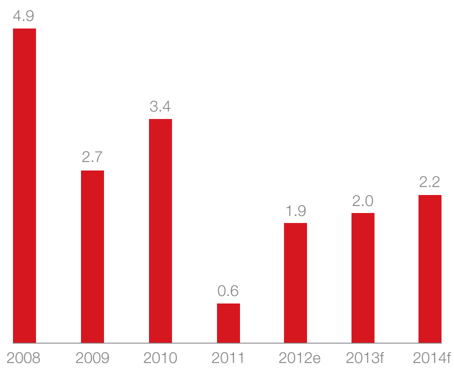
As a consequence of the global economic crisis in 2009, Austria's budget deficit and government debt increased, departing from the Maastricht criteria of 3% and 60% of GDP, respectively – as it did in many other countries as well. Austria is still one of the 15 countries with a triple-A rating from at least two of the major rating agencies. However, reducing government debt and the budget deficit remains the key challenge for economic policy for the coming years. In 2011, the budget deficit of 2.5% of GDP met the Maastricht target. A consolidation package was introduced in 2012, which should additionally counteract any further deterioration of Austria's debt metrics. However, due to the subdued economic growth, the public deficit is expected to increase slightly and to peak in 2013.

As a member of the traditional hard currency block, Austria has written positive history in the monetary union, making it one of the economically successful core countries of the euro zone. This assessment is based on the past ten years of positive current accounts, a sustainable rise in productivity over years, and a generally highly competitive economy and industrial sector. Moreover, unit labor costs have developed moderately along with the increase in production, and in the long-run, inflation has been in line with the European Central Bank's target. Government bonds with the best ratings should retain their function as safe havens, not least as the European debt crisis is not yet over. However, systemic risk might pose a downside risk, though this is similar for all top-rated euro zone countries.

Development in CEE and its impact on Austria

The economic development of Central and Eastern Europe is of crucial relevance for the Vienna Stock Exchange. Some 85% of the most important companies (weighted by market capitalization) in the blue chip index, ATX, are heavily engaged 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 2012 was relatively solid despite the re-appearance of the crisis (which also applies to the euro zone). The markets covered by Erste Group Research (CEE8[1]) grew by an estimated weighted average of +0.6% in 2012 (euro zone -0.4%). In 2012, some CEE8 countries slid into recession again due to weakening global demand.

Current account balance (% of GDP)

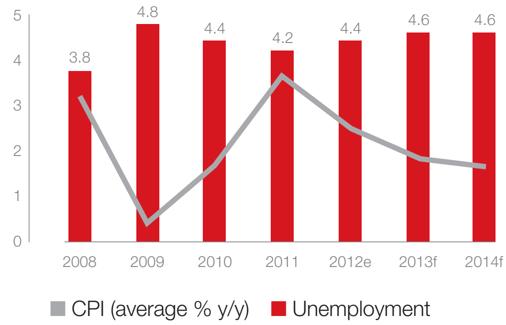


But the CEE countries should not be seen as a homogenous cluster of economies. The bandwidth for country-specific performance is significant as shown by a growth rate of -1.8% in Croatia and 2.4% in Poland in 2012. For 2013, Erste Group Research expects real GDP growth of +1.4% for the CEE8 (versus +0.4% for the euro zone), and +2.2% for 2014 (versus +1% for the euro zone). This means the CEE region is more resilient to the downturn, but cannot avoid the contagion effect. Due to the sound fundamentals of the region, growth in CEE will pick up rapidly with a recovery of external demand. Government debt in CEE is significantly lower than the EU/euro zone average. With the exception of Hungary (and Croatia if state guarantees are included), the countries meet the Maastricht criterion on public debt less than 60% of GDP. Budget deficits are under control as well and are approaching 3% of GDP with the exception of Croatia and Serbia.

Equity market outlook

The year 2012 was a very good one for the Vienna Stock Exchange. Overall, the Austrian Traded Index (ATX) showed a positive performance of almost 27% in the past year. The only question mark was the still very low trading volumes. The two Austrian banking groups and industrial companies Andritz, AMAG and RHI were among the top five performers. While institutional investors – domestic as well as international – remain active at trading volumes well below pre-crisis levels, they have basically remained underinvested, as a result of the uncertain global financial market environment. High deficits and overall levels of government debt caused further unrest in the financial industry, but Central and Eastern European markets benefitted in general compared to the major established markets in this respect.

Inflation outlook & unemployment



The real outcome after the crisis for Central and Eastern Europe (CEE) – all in relative terms – is that total government debt levels in most of the main countries are below or far below the euro zone average and the Maastricht limit of 60% of GDP (except Hungary and Croatia). As the Austrian market is heavily dependent on CEE economies, the second positive factor is that CEE countries on average are still showing satisfactory growth figures (CEE8: 2013e +1.3%, 2014e +2.2%). Furthermore, the ATX still boasts an attractive valuation compared to its peers and is historically backed by robust double-digit earnings growth rates for 2012e and 2013e. Austrian shares are also much more attractive than government bonds in terms of returns (versus Austrian 10-year government bond yields). Overall, Erste Group Research expects a further moderate development of Austrian equities for 2013.

Erste Group Research

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

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:

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

The logos below show the five companies of the ATX with the highest weightings.

ANDRITZ

ERSTE
ERSTE GROUP

IMMOFINANZ
GROUP

OMV

voestalpine
EINEN SCHRITT VORAUS.

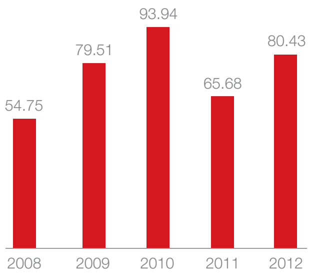
Key Figures of the Vienna Stock Exchange

wiener börse.at

Leading index	
Performance 2012 (30 Dec 2011–30 Dec 2012)	+26.94%
5-year-performance (30 Dec 2007–30 Dec 2012)	-46.79%
Equity market capitalization (30 Dec 2012)	EUR 80.43 bn
Number of listed companies	99
Number of trading members	96
Number of securities (30 Dec 2012)	
▪ equity market	106
▪ bond market	3,626
▪ structured products	5,300
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

Equity market capitalization 2008 to 2012

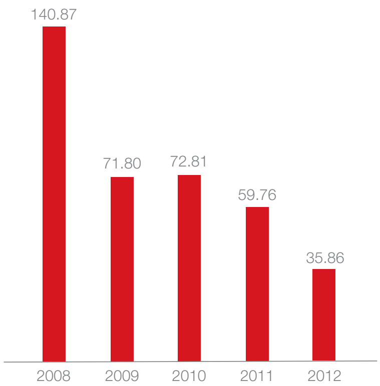
The positive performance of the leading index, ATX, reflects the development of market capitalization: It rose from EUR 65.68 billion as of year-end 2011 to EUR 80.43 billion on the last day of trading of 2012. This translates into a gain of 22.45%.



(in EUR bn / Source: FESE)

Domestic equity trading 2008 to 2012

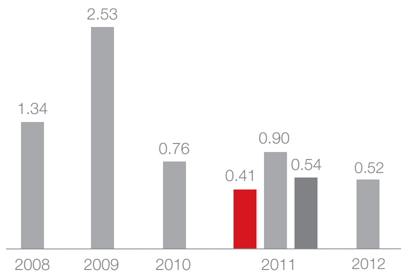
Equity trading stagnated or dropped on most international stock exchanges in 2012. Trading volumes in money terms on the Vienna Stock Exchange for domestic stocks was EUR 35.86 billion (EUR 2.99 billion on the monthly average) which is a decrease of almost 40% versus the previous year.



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

New share issues 2008 to 2012

In 2012, three capital increases – UNIQA, HTI and Intercell – were carried out that raised fresh capital amounting to EUR 0.52 billion. There were no new listings or SPOs. However, the primary market for corporate bonds was again extraordinarily active. There were 29 new listings plus one tap issue and the volume of funds raised broke a new record of EUR 5.5 billion.

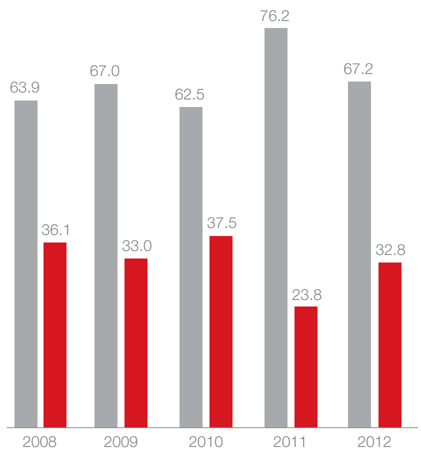


(in EUR bn / Source: Wiener Börse AG)

■ Initial public offering ■ Capital increase
■ Secondary public offering

Trading volumes of national and international members 2008 to 2012

In 2012, seven new trading participants – all of them international firms – were admitted to the Vienna Stock Exchange as direct trading members. As of year-end, 58 of the 96 trading members were foreign firms. They continue to account for more than two-thirds of total trading volume in equities with a share of 67.21%.



(in % / Source: Wiener Börse AG)

■ International ■ National

Czech Republic: Macroeconomic Outlook

The Czech economy has been in recession for almost one year, with the euro zone debt crisis being the main cause. Especially personal consumption has disappointed as the consumer mood was negatively affected by austerity measures. We project a gradual recovery in 2013 for the Czech economy, driven by export growth to the euro zone. Nevertheless, this slow recovery will not be enough to ensure GDP growth on an annual level.

Country at a glance

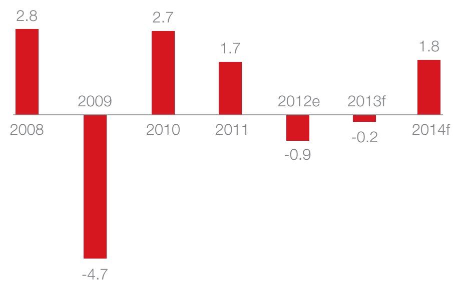
Official Language	Czech
Capital	Prague
Area	78,866 sqkm
Population*	10,505,445 (2012)
Nominal GDP*	EUR 156,216.8m (2011)
GDP per Capita in PPS (EU-27 = 100)*	80 (2011)
Currency	1 Czech Koruna = 100 Haler
Time Zone	UTC+1 CET UTC+2 CEST (March to October)
Internet Suffix	.cz
Country Code	+420

* Source: Eurostat

Economic outlook

The current economic situation in the Czech Republic can be characterized by two words: stability and weakness. The Czech economy has been in recession for almost one year (thus far, three quarters of negative growth officially). A primary cause of this drop in economic activity is the euro zone debt crisis which is also reducing demand for Czech exports. But this shock is significantly amplified by the restrictive fiscal policy of the Czech government. Therefore, the recession of the Czech economy is even deeper than in the euro zone, despite the fact that the Czech government's finances are in much healthier condition than the financial situation of most euro zone states. For example, in 3Q 2012, GDP fell by 0.3% q/q and 1.3% y/y, and the declines of GDP in 1Q and 2Q were even deeper. A closer look at the structure of GDP reveals that surpluses from net exports do not compensate

Real GDP (growth y/y %)

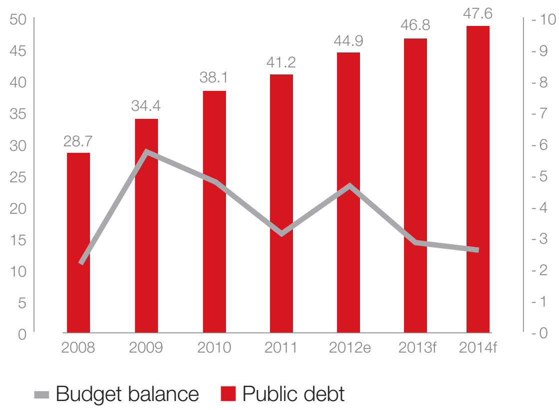


the decline in internal demand. The main cause of the downturn is falling personal consumption which declined by 0.4% q/q in 3Q. Personal consumption is negatively affected by the austerity measures of the Czech government and also by the negative sentiment of consumers. Investment is also weak as it declined by 5% q/q in 3Q, with investment in fixed capital falling by 1.9% q/q. Government consumption follows the falling or stagnating pattern. As recently published industrial output and retail sales figures point towards further economic weakening, the fourth quarter 2012 GDP will not show signs of improvement (we estimate -0.2% q/q). Due to a VAT hike from the beginning of 2013 there could be one-off effects in personal consumption that could support 4Q GDP data. This would, however, be compensated by

Economic and fiscal data	2008	2009	2010	2011	2012e	2013f	2014f
Real GDP (growth y/y %)	2.8	(4.7)	2.7	1.7	(0.9)	(0.2)	1.8
Nominal GDP (EUR bn)	154.2	141.5	149.2	154.9	153.9	157.2	167.2
Current account balance (% of GDP)	(2.1)	(2.4)	(3.9)	(2.9)	(1.1)	(1.5)	(1.5)
CPI (average y/y %)	6.3	1.0	1.5	1.9	3.3	2.2	2.3
Consumer prices (eop y/y %)	3.6	1.0	2.3	2.4	2.6	2.2	2.3
Producer prices (average y/y %)	4.5	(3.1)	1.2	5.6	2.1	1.8	1.8
Unemployment (%)	5.4	8.1	9.0	8.5	8.6	9.2	9.3
General budget balance (% of GDP)	(2.2)	(5.8)	(4.8)	(3.1)	(4.7)	(2.9)	(2.6)
Public debt (% of GDP)	28.7	34.3	38.1	41.2	44.9	46.8	47.6
Industrial output (y/y %)	0.4	(13.4)	10.1	6.9	(0.8)	0.2	3.2
Nominal industrial wages (y/y %)	8.1	3.5	3.7	4.4	3.0	3.8	3.5
Official FX reserves (EUR bn)	26.6	28.9	31.8	31.1	34.0	35.0	36.0
EUR/LCY (average)	24.9	26.4	25.3	24.6	25.0	24.8	24.0
USD/LCY (average)	16.9	18.9	19.1	17.7	19.2	18.8	18.1

a decline in personal consumption in 1Q 2013 where we expect a drop in GDP by 0.3% q/q. Thereafter, the Czech economy is forecast to gradually recover in the course of 2013.

Budget balance & public debt (% of GDP)



The recovery is expected to be driven by export growth, because the economy of the euro zone, which is the dominant trading partner of the Czech Republic, is also predicted to recover in the course of 2013.

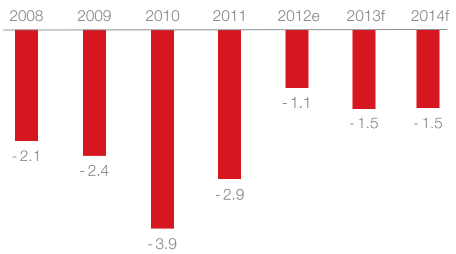
However, given the relatively low level of production at the end of 1Q 2013, growth will probably not be sufficient to ensure GDP growth on the annual level. Hence, we forecast an annual decline of GDP by 0.2% in 2013 in the light of our outlook for the euro zone economy, which we expect to contract by 0.1%.

Fiscal outlook

In parliament, the Czech government managed to pass the tax bill, which raises VAT by 1pp to 21% and 15%, and the president signed the law so that it came into effect starting from 1 January 2013. The VAT hike is part of the government budget plan to achieve a deficit of below 3% of GDP in 2013. We regard the goal of a deficit of 2.9% of GDP as achievable for 2013. However, due to the church restitution plan of the government, the budget deficit is expected to rise to 4.5% of GDP for 2012, but this is only a one-off effect. The year 2013 should be the last one in which fiscal policy is so restrictive. For the years 2014 and 2015, the Czech government plans to ease the restrictiveness of fiscal policy. It may be viewed as a reaction to the current weakness of the Czech economy. Unfortunately, it took too long to react. The second possible interpretation is that this was only a reaction to the forthcoming parliamentary election in 2014.

The Czech government remains weak after a series of scandals with a limited ability to enforce further reforms. On the other hand, the government has more or less already enforced the key reforms (tax, pension reform and church restitutions). Hence, the possible loss of majority would not be a tragedy. On 11 and 12 January 2013, the first direct presidential election in the Czech Republic was held. We do not expect any explicit market reaction to that event. On the other hand, the Czech president appoints members of the Board of the Czech National Bank, and can thereby significantly influence Czech monetary policy.

Current account balance (% of GDP)



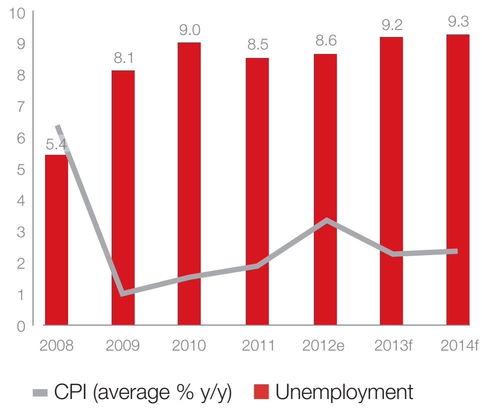
Equity market outlook

In the year 2012, the PX, the leading Czech stock market index, has had to finally say goodbye to its reputation as a defensive index. This is due to changes to the index weightings, which put banks and insurances markedly in the lead with a weighting of roughly 58%. Defensive stocks such as ČEZ and Telefónica C.R. now only account for 31%. Looking at last year's performance, the significant capital gains of the three heavily-weighted financial companies were enough to push the PX 14% upwards, whereas the two major defensive companies suffered losses in the magnitude of roughly 13% each. The performance of 14% put the PX in the middle of its two counterparts from Hungary (BUX +7%) and Poland (WIG +20%) in 2012.

Due to the open Czech economy, the PX is heavily influenced by international stock market sentiment, and regarding 2013 in general, economic conditions in the euro zone and in the USA are not really good right now, but they should improve considerably during the second half of 2013. In anticipation of the improvement in economic activity, we are looking forward to quite positive developments on both the established markets and CEE markets in 2013.

As regards the PX in detail, the 2013f P/E ratio is 11.6, which may still be considered moderate, and with an expected consensus earnings estimate of around 10% for 2013, the index has moved into one of the top positions in the CEE region. The driving force behind these figures is once again the financial sector, and according to consensus opinion, especially Erste Group Bank will post robust earnings growth, whereas earnings stagnation is expected for Telefónica C.R. and ČEZ. On the other hand, the PX has lost its top spot in terms of dividend yields, as it amounts to "just" 4.9% for 2012e due to the reallocation of index weights.

Inflation outlook & unemployment



However, this is still one of the leading positions in the CEE region, and that is also the moment for the defensive players, as the expected dividend yields for 2012 range from nearly 7% (ČEZ) to almost 12% (Telefónica C.R.). Generally, these figures outperform the yield-to-maturities of the respective corporate bonds (ČEZ) significantly. Due to an improved global economic momentum in 2H 2013 and the robust fundamentals for the PX, we prognosticate a positive development for the index in 2013 with a magnitude of roughly +10%.

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

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.

The PX includes the following companies:

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

The logos below show the five PX companies with the highest market capitalization.

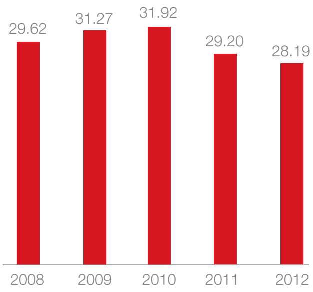
Key Figures of the Prague Stock Exchange

PRAGUE STOCK EXCHANGE
BURZA CENNÝCH PAPÍRŮ PRAHA

Leading index	
Performance 2012 (30 Dec 2011–30 Dec 2012)	+14.01%
5-year performance (30 Dec 2007–30 Dec 2012)	-42.77%
Equity market capitalization (30 Dec 2012)	EUR 28.19 bn
Number of listed companies	28
Number of trading members	17
Number of securities (30 Dec 2012):	
▪ equity market	28
▪ bond market	98
▪ structured products	30
▪ others (coupons)	24
Legal framework	EU Capital Market Legislation, Capital Market Undertaking Act, Prague Stock Exchange Rules and Regulations

Equity market capitalization 2008 to 2012

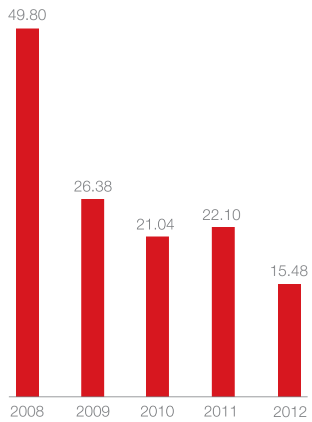
At the end of 2012, the market capitalization of domestic equities was EUR 28.19 billion. The market capitalization of foreign equities amounted to EUR 17.24 billion. The total value of market capitalization was EUR 45.43 billion. Total market capitalization increased by 10.49% over the end of 2011.



(in EUR bn / Source: FESE)

Domestic equity trading 2008 to 2012

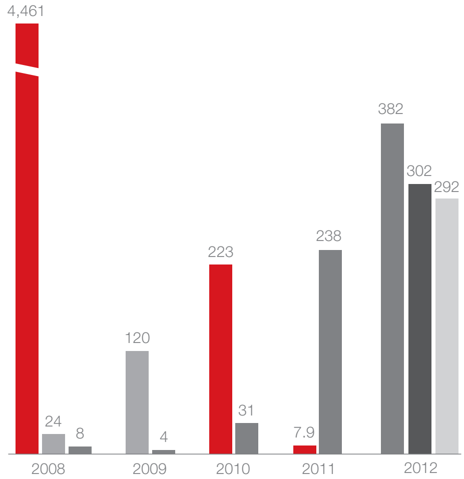
In the year 2012, trading turnover in domestic equities reached EUR 15.48 billion. Turnover decreased by 30.61% compared to 2011. Total turnover in 2012 was EUR 19.96 billion.



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

New share issues 2008 to 2012

The PSE commenced trading in the shares of OCEL HOLDING SE on 30 April 2012, of ENERGOCHEMICA SE on 2 July 2012 (both technical listings), and of Tatry mountain resorts, a.s., as a dual listing on 22 October 2012. Additionally, several capital increases raised a volume of EUR 381.64 million.

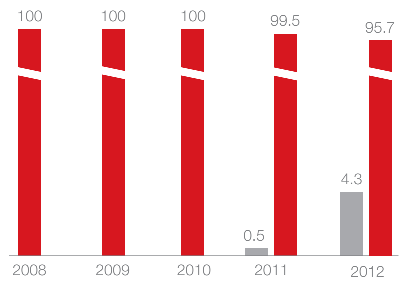


(in EUR m / Source: Prague Stock Exchange)

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

Trading volume of national and international members 2008 to 2012

The PSE has 17 members, two of which are foreign: EQUILOR Investment Ltd. with headquarters in Hungary and Ipopema Securities S.A. with headquarters in Poland. The two foreign companies accounted for 4.27% of total equity trading volumes. EQUILOR Investment Ltd. acts as a market maker for the equities of ČEZ, Komerční banka and Telefónica C.R.



(in % / Source: Prague Stock Exchange)

International National

Foreword of the Chief Executive Officer

In 2012, the Prague Stock Exchange operated against the backdrop of the ongoing crisis on European stock markets, now in its fourth year. The trading volumes of European stock markets have been declining dramatically since 2008, and Prague, unfortunately, is no exception. The main reason behind this is undoubtedly the uncertainty among investors concerning future economic development; however, another important aspect is the transfer of some trades from regulated markets to non-transparent bilateral trades. Quite illogically, this trend is supported by the EU.

The main event for the Prague Stock Exchange in 2012 was migration to the new Xetra® trading system, which replaced the original trading system on 30 November after nearly twenty years. This project was very complex in terms of cooperation with the system providers and our members and interaction with related systems. The launch of the Xetra® system was the third major IT project successfully implemented by the PX Group in recent years. As in the establishment of the Energy Exchange and the takeover of the Central Depositary, the project was implemented by the defined deadline and without serious functional problems. This proves the high expertise and quality project management of our specialized divisions.

At the request of our members, the Prague Stock Exchange created conditions to raise capital for small and medium-sized businesses in the middle of last year. The aim of the special market segment entitled START is to provide small and medium-sized businesses easier access to capital.

Petr Koblic
CEO of the Prague Stock Exchange

Company Profile

Prague Stock Exchange (PSE) is the largest and oldest securities market organizer in the Czech Republic. After a 50-year hiatus brought about by World War II and the Communist regime, it was reopened in 1993. Thus PSE resumed the activities of the Prague Commodities and Stock Exchange founded in 1871. PSE is by law a joint-stock company. Its largest shareholder is CEESEG Aktiengesellschaft, with a 92.739% ownership interest. The General Meeting of Shareholders is the supreme executive body, the Exchange Chamber is the statutory body managing the Stock Exchange's operations, and the Supervisory Board oversees its operations and overall functioning. The Company is managed by the Chief Executive Officer, who is appointed and recalled by the Exchange Chamber.

Trading is conducted through licensed traders who are also members of the Exchange. Exchange trading results and other data are published at www.pse.cz and also are disseminated via information agencies and the media.

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

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

PSE is a member of the CEE Stock Exchange Group (CEESEG), which also includes three other Central European stock exchanges: the Vienna Stock Exchange (Wiener Börse), Budapest Stock Exchange (Budapesti Értéktőzsde) and Ljubljana Stock Exchange (Ljubljanska borza).

2012 Highlights

Petr Koblic on the Board of CEESEG

1 March 2012

On 18 January Petr Koblic was elected as a member of the two-person board of the CEE Stock Exchange Group (CEESEG) holding, which consists of the Budapest, Ljubljana, Prague and Vienna exchanges. As of 1 March 2012 he replaced Heinrich Schaller and now works along with Michael Buhl. Michael Buhl, a senior manager of the Vienna Stock Exchange, has been a member of the CEESEG management since its establishment in January 2010. Petr Koblic has been CEO of the Prague Stock Exchange and the Chairperson of the Board of the Central Securities Depository Prague since 2004 and the Chairperson of the Exchange Chamber of POWER EXCHANGE CENTRAL EUROPE since 2007. Since 2011 he has also been a Board Member of the Budapest Stock Exchange and since 2012 the Chairperson of the Supervisory Board of the Ljubljana Stock Exchange.

A new issue of OCEL HOLDING SE on the Prague Stock Exchange

30 April 2012

The Prague Stock Exchange welcomed a new issue by OCEL HOLDING SE. Its shares have been traded under the name OCEL HOLDING (ISIN CZ0008467834) since 30 April 2012. The issue is registered with the Central Securities Depository in Prague.

START, a market for small and medium-sized enterprises

7 June 2012

The Prague Stock Exchange has created conditions for small and medium-sized enterprises that want to raise capital. The purpose of the special market segment entitled START, active as of 6 June 2012, is to provide small and medium-sized businesses with easier access to capital. This is the response of the Exchange to the restriction of credit for SME on the part of banks. The parameters are set so that future issuers can enter the market without excessive paperwork while maintaining sufficient transparency of the market. START is an unregulated market, which makes it possible for issuers to prepare a simple information document instead of the traditional prospectus.

A new issue by ENERGOCHEMICA SE on the Prague Stock Exchange

2 July 2012

The Prague Stock Exchange welcomed a new issue by ENERGOCHEMICA. Its shares have been traded under the name ENERGOCHEMICA (ISIN CZ0008467818) since 2 July 2012. The issue is registered with the Central Securities Depository in Prague.

Start of trading with shares issued by Tatry Mountain Resorts

22 October 2012

The Prague Exchange welcomed a new issue by the Slovak company Tatry Mountain Resorts, a.s., which is traded under the abbreviated name of TMR (ISIN SK1120010287). The company Tatry Mountain Resorts, which was created by a merger of Ski Jasná and Tatranské Lanové Dráhy, is currently the largest provider of tourist services in Slovakia.

The Prague Exchange launched the new Xetra® trading platform

30 November 2012

The Prague Exchange successfully launched the new Xetra® trading platform and joined other members of the CEE Stock Exchange Group (CEESEG) which run this trading system. After almost two decades of using its own trading system, the Prague Exchange implemented the Xetra® platform, which is the technological standard of CEESEG. Among other changes, the implementation of the new system marks the end of trading in SPAD, which had been designed for the most liquid titles. SPAD was deployed in 1998 to support in particular trades with shares of large institutional investors. During the existence of this segment, there were almost 2 million transactions implemented via SPAD at a total value of almost CZK 6 trillion.

Key Data

	2012	2011	2010	2009	2008
Number of Exchange Days	251	253	252	250	252
SHARES					
Total trading volume (CZK billion)	250.58	371.0	389.9	463.9	852.0
Average total daily volume (CZK million)	998.33	1,466.3	1,547.1	1,855.4	3,381.1
Market capitalization (CZK billion) – shares (year end)	1,142.09	1,060.8	1,388.0	1,293.5	1,091.7
Number of share issues (year end)	28	26	27	25	28
PX index (year end)	1,038.70	911.1	1,224.8	1,117.3	858.2
BONDS					
Total trading volume (CZK billion)	594.21	628.0	529.9	585.7	643.2
Average total daily volume (CZK million)	2,367.38	2,482.3	2,102.8	2,342.8	2,552.2
Number of bond issues (year end)	98	95	106	116	121
OTHER PRODUCTS					
INVESTMENT CERTIFICATES AND WARRANTS					
Total volume of trades (CZK million)	50.66	133.9	170.2	261.1	469.1
Number of issues – end of period	30	81	42	67	49
FUTURES					
Total volume of trades (CZK million)	52.31	194.3	189.7	201.6	688.9
Number of series – end of period	–	6	6	6	6

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

Trading and Securities

There were 251 exchange days in 2012.

The most significant event in the trading area in 2012 was the transition from the previous (proprietary) trading system to Xetra®. The part of the system used by Prague Stock Exchange is called Xetra® Prague. The project has brought many important changes. The essential ones are listed below.

End of trading in futures issues on the Exchange

The last six-month series were listed in March 2012. Only three futures products were traded from July onwards. Since 24 September 2012, no futures issues can be traded on the Exchange. Trades with derivatives can now only take place on the Eurex trading platform on the condition of membership on the Vienna Stock Exchange.

New structure of markets and trading

The issues are classified according to the new structure, with the main criterion being the type of security. Various types are thus traded separately (shares, bonds, structured products). Further classification criteria for specific trading procedures differ by security.

Termination of the SPAD trading segment

This trading method was meant for the most liquid shares, and it consists in quoting of issues by market makers. This, however, is not technically attainable in Xetra® Prague. The Exchange maintained the status of market makers. Based on contractual relationships between the Exchange and the respective members – the market makers, the latter now carry out their activities in continuous trading.

Termination of the Block Trading segment

This trading method based on matching two specific instructions regarding a negotiated trade was used by exchange members for bond trades in particular. After switching to Xetra® Prague, exchange members can registers those trades in the CSD Prague. The registration is used for publication of the trade, settlement and notification of the regulator.

Termination of Trading in the System with a Specialist

This trading method was meant for structured products and was based on quoting of issues by specialists. On the Exchange, it was used for trades in investment certificates and warrants. Xetra® Prague has a different trading method for structured products.

Introduction of the Continuous Auction trading segment

This trading method is meant for structured products and represents a full-fledged replacement of Trading in the System with a Specialist. It is based on quotes entered into the system by liquidity providers. Liquidity providers are exchange members which act in this capacity based on a contractual relationship with the Exchange.

New types of orders

Trading participants as well as clients can avail themselves of 5 new types of orders.

Changes in the Fee Schedule

The fee for closing a trade for exchange members that do not act as market makers was lowered from 0.07% to 0.04% from the trading volume. There is a new minimum fee per order and day, namely CZK 10 (regardless of the number of trades that the order generates).

As of the end of 2012, the Stock Exchange traded 28 share issues, 98 bond issues, 24 voucher issues and 30 certificate issues.

In 2012 one new issue of shares was accepted on the main market and two new issues of shares were accepted on the free market. The issue accepted on the main market was by Tatry Mountain Resorts, a.s., whose shares are also traded on the Bratislava and Warsaw stock exchanges. The issues by OCEL HOLDING SE and ENERGOCHEMICA SE were accepted on the free market.

Apart from the release of one new issue of government bonds, the trading of 40 tranches of government bonds also commenced. Moreover, 21 issues of bonds were accepted on the free market, of which 10 were corporate bonds and 5 were by new issuers.

In the middle of 2012, the Exchange launched a new market called START, an unregulated market where issues of shares, bonds as well as structured products can be accepted. Furthermore, the market is open for issues of investment instruments accepted without a request by the issuer and traded on another regulated market in OECD countries.

In relation to the transition to the new trading system Xetra® Praha, the market structure witnessed a major change with effect from 30 November 2012. Shares are now accepted on the Prime Market and Standard Market, bonds on the Official and Regulated Market, and investment certificates, warrants and ETF issues on the Regulated Market.

Inspection Activities

As in previous years, the main purpose of inspection activities in 2012 was to continually identify and examine trades in which Exchange Rules and the generally binding regulations may have been violated. Inspection software is critical to inspection activities, as it not only provides for inspector access to all data regarding the trading system of the Exchange, but also contains selected functions that detect regulation violations. The main purpose of inspections is to detect violations of regulations in a timely fashion, thus minimizing detrimental consequences, and to identify causes and adopt adequate remedial measures in cooperation with the members. The Exchange's inspection activities rely on continuous analytical monitoring based on daily supervision and analysis of the data in the exchange trading system, together with related communication with members regarding the indicated breaches of Exchange Rules. In 2012 approximately 600 cases were investigated in this manner.

The violations of Exchange Rules concerned mainly market transparency (e.g. orders with a high deviation of the limit price from the prevailing price, non-compliance with deadlines for trade registration, and unauthorized own trades). The vast majority of the identified breaches of Exchange Rules were resolved in the working system between the Exchange and the member.

A fundamental change that has a significant impact on the inspection activities of the Exchange was the launching of the new trading system Xetra® Prague on 30 November 2012. For this reason, the new ALAMO inspection software was implemented at the same time. It is closely interconnected with Xetra® Prague. To maintain the specified scope of inspection areas, the Exchange is developing its own supporting inspection software (ISW). The two systems complement each other, which, along with a change in the inspection procedures, ensures that all required inspection areas are covered.

Settlement of Exchange Trades

The settlement system to settle both exchange and OTC trades with securities is operated Central Securities Depository Prague (CSD Prague), a 100% subsidiary of the Prague Stock Exchange. The CSD Prague also maintains the central register of dematerialised securities issued in the Czech Republic and assigns international identifying numbers (ISIN) to investment instruments.

The volume of securities exchange trades and OTC transactions settled by the Central Depository in 2012 reached the value of CZK 3,922.3 billion, a 9.5% increase compared to 2011. The share of the Central Depository in the total volume of trades and transfers settled on the Czech capital market stayed unchanged at 99.9%. Out of the total volume of transactions settled by the Central Depository, exchange trades and OTC transactions accounted for 20.36% and 79.64%, respectively.

Social Responsibility

The PX Group also continued its sponsorship activities in 2012. Capital market experts traditionally invite high school and university students to the Exchange building and explain how the Prague Stock Exchange operates. The Exchange is visited by approximately one thousand young people each year. PX representatives also give regular lectures at universities.

As in previous years, the PX Group supported the Mental Power Prague Film Festival, an international film festival of (non)actors with mental and multiple disabilities that enables handicapped people to enter the world of film. The main idea of the festival is to create conditions for the artistic expression of disabled people and to contribute to their intellectual development.

In addition, we initiated work with the civic association Let's Give Children a Chance, which obtained the proceeds from a charity bowling tournament organized by the companies from the PX Group. The donation supported the "Help Me Start My Life" project – a contribution to children in orphanages. The project focuses on children who will leave their orphanage after reaching adulthood or after graduation. The project will help them find a suitable job, housing, etc.

The PX Group will have good foundations to build on in the next year and will be happy to support further charity projects.

Information and Trading System

In 2012, the IT division focused on the implementation and launch of the Xetra® trading system and its interconnection with the existing system, particularly with the settlement systems, with reports for the Czech National Bank (ČNB) and the website of the Exchange. Support for the systems of the Central Securities Depository Prague (CSD Prague) consisted mainly in the support of the register of government savings bonds, the transfer of historical data of the Securities Centre in the CSD Prague, and the new method of communication with the Czech National Bank. For POWER EXCHANGE CENTRAL EUROPE (PXE), the IT division had to address the issue of negative prices. Moreover, there was extensive development and replacement of the technological and security infrastructure of the PX systems with a focus on the enhancement of the availability and security of information systems and data.

In 2012, the Prague Stock Exchange proceeded in implementing the new Xetra® trading system. The IT division focused on communication of the Exchange and its participants with the systems in Vienna as well as on changes in current systems that had to be interconnected with the new trading platform Xetra®. Although the trading system itself moved to Frankfurt, all follow-up systems that ensure data publication, support of work by Prague Stock Exchange employees and communication with the Czech National Bank and other business partners are still operated by the IT division. They had to be adapted for work with the Xetra® platform.

Related systems that had to be interconnected with Xetra® included in particular:

i) Trading statistics, including generation of lists of foreign exchange

Trading statistics and the list of foreign exchange are still created by local software in order to maintain consistency and historical continuity of data files so that the full history of trading data is available after the implementation of the trading system.

ii) Trading supervision

The IT division adapted the current trading supervision system to make it fully usable for the Xetra® platform. Consequently, the Exchange will still be able to work with trades and orders, or analyse the current market situation in real time.

iii) Inspection software (ISW)

The IT division adapted the current inspection software to the needs of supervision on the Xetra® platform.

iv) Internal Information System (IIS)

To enter PSE trading data into the Xetra® platform, it was necessary to secure the transfer of information about issuers, issues and prices from the IIS system to Xetra®. At the same time, it was necessary to add further functions in the IIS application.

v) The system for reporting to the Czech National Bank

All elements of the trading system (security issues, exchange members, trades, orders, quotes, daily statistics, etc.) must be reported to the Czech National Bank every day in the required format. The IT division had to transform the data from the Xetra® in the format required by the Czech National Bank in order to fulfil the regulatory requirements.

vi) Publicly available website pse.cz

The data from the trading system are published online on the website of the Prague Stock Exchange. The IT division adapted the website to reflect the changes in the Trading Rules and the connection to new data sources.

The IT division implemented a number of projects for the Central Securities Depository Prague. These especially include: the continuation of the project that secures CSD Prague support during the subscription and tracking of government savings bonds (GSB) for individuals. The work consisted in executing a number of change requests by the Czech Ministry of Finance based on the experience with the first batch of issues. New GSB issues appeared in the 2nd and 4th quarters of 2012. The issue of unique inflation bonds in the summer also required a number of modifications. The work continued in the 1st and 3rd quarters of 2012. In 2012 we also initiated analytical work on the creation of a GSB portal that would make it possible for interested parties to communicate directly with the GSB register without having to visit the branch office of a contractual distributor.

In the first half of the year, Styrax delivered and CSD Prague successfully tested the LCA (Low Cost Archive) system that contains all relevant data (with the exception of Integrated Archive data) from the system of the Securities Centre with historical records on securities. The CSD Prague aims to eliminate its dependence on older and demanding systems operated by Asseco for the Securities Centre. The data from the Integrated Archive will be transferred in 2013.

Moreover, we continue to develop and administer the ISB (Information System Broker) system, which is a central system for the aggregation and processing of requests and queries of authorized users (particularly public administration and issuers). Styrax bears the main responsibility for system development, while the IT division ensured the cooperation and technical administration needed for this system to work along with other internal systems.

The amendment of the Capital Market Trading Act with effect from 1 July 2012 makes it possible for the CSD Prague to charge for the maintenance of securities in unclassified accounts. The IT division computed the charge and created the invoicing system by interconnecting several systems – register of securities, register of persons, and the accounting system.

At the end of 2012, the Czech National Bank discontinued the CERTIS-SZD payment system used for transmitting payment orders to banks (and therefore also to the CSD Prague). At the same time, it stopped issuing certificates for the participants in the payment system from its own certification authority. Consequently, the CSD Prague had to develop an application capable of connecting to the new CERTIS-AMOS system by means of the web services technologies and to switch to server and user certification with the I.CA certification authority. All three elements of this solution (development of the cryptographic software, development of software for web services and obtaining the respective certificates) were secured by the IT division internally.

The most important task of the IT division performed for POWER EXCHANGE CENTRAL EUROPE (PXE) was to permit the input of negative prices in purchase/sale orders for electricity as required by OTE (operator of the spot electricity market). Thanks to this, a negative deal price can be determined, and the spot price index can be negative, too, which has an impact on the settlement of trades in electricity futures products. The IT division adapted the settlement system for PXE trades and the input of orders in OTE so that such issues are handled correctly.

Once again, with the large number and complexity of projects, 2012 was a year full of technological changes for the IT division. These especially include: continuation of the Desktop Virtualization project. The main focus was on ensuring high accessibility when switching operation from the main location to the backup location. This was achieved at the end of the year, and virtualization is expected to be introduced in other CSD Prague divisions in 2013.

As part of the Server Virtualization project, the migration of application servers from older technologies was completed in 2012. The vast majority of new application servers are placed on this new platform, which brought high speed and flexibility to the implementation of new requests and changes. In addition, it provided high accessibility, streamlined administration and a significant decrease in costs when implementing new application servers and their backups.

At the end of the year, a call recording system was deployed on selected lines. The objective is to track phone requests and instructions in case there are disputes related to their execution.

In the second half of the year, the resources of the IT division were partly dedicated to the use of e-mail in the cloud. The Google Apps and Microsoft Office 365 systems were tested, and the migration of own data was partly verified. A decision on the selection of the system will be made at the beginning of 2013. The objective of the project is to transition from the currently used proprietary solution on the Lotus Domino/Notes platform to a cloud solution that should enhance the flexibility and availability of these services from any device and location.

The IT division paid great attention to security.

In the middle of the year, the independent Wi-Fi network was expanded for other users and its technical parameters and security were increased. This network is increasingly important for connecting users from the holding to the Internet.

In the second half of the year, we implemented a system for the behavioural analysis of events occurring in the communication network of the holding. The purpose of this system based on “business intelligence” is the processing and evaluation of all flows in the network with the objective of identifying and evaluating anomalous behaviour in the network that can indicate dangerous conduct or activities which standard signatures would not uncover. The system thus suitably complements the existing security elements.

As part of the Audit SW project, we performed operational testing of an application that scans the software installed on devices more efficiently and regularly evaluates the condition of the licensed software with the help of the list of purchased licences. Computer scanning and tracking of purchased software is performed regularly, and the overview of software is available to users on their SW cards.

In connection with the massive expansion of “smart” mobile devices, we selected, tested and, in the last quarter, deployed a system for the management of mobile devices. This system makes it possible to manage devices with various IOS and Android operating systems remotely, to monitor mobile devices and, for example, to disconnect them in case of the disruption of corporate security policies, or to delete content from them.

In 2012 work continued on the development of a new system for the automated collection and assessment of operating and security events from various systems and equipment (the log concentrator). The main effort was related to troubleshooting in connection with log collection when switching to a virtual platform of the evaluation system. Furthermore, we worked on connecting this system with the main business platform IBM iSeries and the behavioural analysis system. These initiatives will be completed in the first half of 2013.

To track operational and security events and incidents, the holding used a purchased application. As the supplier is only able to perform the requested changes to a limited extent, the IT division created a new application to fully replace the original one (including data migration) and which makes it possible to respond to other user requests better and faster. The application was deployed in December 2012. Another advantage of this system is the versatility of the software technologies that will be used for the development of further applications for the electronic circulation and approval of internal documents.

The technology of the certification authority was upgraded in the 4th quarter. The upgrade also required the modernization of HW modules for storing private keys. This way, the PX holding secures compliance with maximum security requirements for the protection of the main authentication elements.

Penetration tests performed by an external company at the very end of the year did not identify any serious deficiencies regarding Internet connection security.

Unconsolidated Financial Results

Income Statement

(in CZK thousand)	2012	2011	2010
Revenues from business activities	206,665	248,362	241,390
Operating expenses	117,503	127,180	133,637
Profit from operating activities	89,162	121,182	107,753
Net financial income	66,448	14,613	24,886
Profit before income tax	155,610	135,795	132,639
Income tax expense	17,338	24,183	17,997
Net profit	138,272	111,612	114,642

Statement of Changes in Equity and Financial Position

(in CZK thousand)	2012	2011	2010
Share capital	265,216	265,216	265,216
Own shares	(100)	0	0
Shareholder's equity	456,525	430,009	430,849
Statutory reserve fund and other capital funds	53,043	53,043	50,961
Retained earnings	138,366	111,750	114,672
Earnings per Share (CZK)	521	421	432

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 which controls the Exchange's activities and acting on its behalf.

Number of meetings in 2012: 11

Chairperson of the Exchange Chamber and Chief Executive Officer of the Prague Stock Exchange:
Petr Koblic
Date of birth: 22 February 1971
Holding this position 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 since: 8 December 2008

Hannes Takacs
Date of birth: 20 November 1964
Membership since: 8 December 2008

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

Helena Čacká
Date of birth: 25 January 1956
Membership since: 28 May 2009

David Kučera
Date of birth: 29 September 1968
Membership since: 1 July 2009

Changes in 2012:
Re-election of Petr Koblic as Chairperson of the Exchange Chamber in Vienna on 21 May 2012

Supervisory Board

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

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

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

Jan Sýkora
Wood & Company Financial Services, a.s.
Date of birth: 18 January 1972
Membership since: 20 April 2010

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

Changes in 2012:
none

Exchange Membership Committee

The Exchange Membership Committee determines whether exchange members duly comply with the conditions of their membership on the Exchange and the applicable obligations, adopts measures in order to ensure conformity between the activities of exchange members and the Exchange Rules and legal regulations, and discusses proposals for the approval and termination of Exchange membership.

The Membership Committee held no meetings in 2012. No new members were accepted during the year, and there was no need to discuss other issues falling within the competence of this Committee.

There were no changes in the composition of the Committee.

Chairperson
Jiří Opletal
Prague Stock Exchange

Secretary
Jana Horová
Prague Stock Exchange

Members:

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

Exchange Trades Committee

In the last year, the Exchange Trades Committee mainly discussed the trading method and the parameters for trading in the Xetra® Prague system.

At the first meeting in April the Committee proposed and approved the main parameters for trading in the new system. Specifically, the trading model, types of orders and parameters for trading were approved. In October the Committee approved the inclusion of the new TRM issue in SPAD and set the trading parameters. Furthermore, the Committee adapted the trading parameters for the Xetra® Prague system.

List of Committee members as of 31 December 2012:

Bohumil Pavlica	BH Securities a.s.
Jiří Opletal	Prague Stock Exchange
Michal Kricner	CYRRUS, a.s.
Michal Řízek	Česká spořitelna, a.s.
Pavel Krabička	Česká spořitelna, a.s.
David Nový	J & T BANKA, a.s.
Radek Neumann	Komerční banka, a.s.
Oldřich Pavlovský	Patria Finance, a.s.
Tomáš Otáhal	Patria Finance, a.s.
Richard Skácel	Raiffeisenbank a.s.
Jiří Deml	UniCredit Bank Czech Republic, a.s.
Jan Pavlík	Wood & Company Financial Services, a.s.
Václav Karpíšek	Wood & Company Financial Services, a.s.

Stock Exchange Committee for the Listing Procedure
Stock Exchange Committee for the Accelerated Listing Procedure

Chairperson of both Committees
Petr Koblic
Prague Stock Exchange

The Stock Exchange Committee for the Listing Procedure now has 12 members and decides on the admission of securities on the main market of the Exchange. In 2012, it decided in a per rollam procedure on the admission of a foreign issue, namely by Tatry Mountain Resorts, a.s., which had already been traded on the stock markets in Bratislava and Warsaw. No regular meeting of the Committee was held. In connection with the transition to the new Xetra® Prague trading system and the change in the structure of exchange markets, the competences of the Stock Exchange Committee for the Listing Procedure were changed. By 29 November the Committee had decided on the acceptance of all securities on the main market of the Exchange; it is now only authorized to accept issues of shares on the newly created Prime Market.

The Stock Exchange Committee for the Accelerated Listing Procedure decides on the acceptance of tranches of issues of securities that have already been accepted for the main market of the Exchange. In 2012, the Committee decided on the acceptance of tranches of shares issued by ERSTE GROUP BANK AG, NEW WORLD RESOURCES Plc, CENTRAL EUROPEAN MEDIA ENTERPRISES, Ltd. and three tranches of shares issued by ORCO PROPERTY GROUP, S.A. In connection with the transition to the new Xetra® Prague trading system and the change in the structure of exchange markets, the competences of Committee were greatly restricted. Since 30 November cases formerly falling within the scope of competences of the Stock Exchange Committee for the Accelerated Listing Procedure are dealt with exclusively by the Chief Executive Officer of the Prague Stock Exchange.

Security Committee
Internal Audit Committee

Based on an overall analysis, or a re-evaluation of requirements for information security conducted in 2011, the Security Committee focused on compliance with the principles and objectives of the security policy, implementation of security principles in practice, and the minimization of risks included on the risk map.

The priorities of the Committee included optimization of access to the services of the trading and settlement system as well as to the register of securities. For this purpose, the architecture of access by various employees was documented in detail, procedures for supervision of access right setting were prepared as data tables or options in application menus, and the access of employees and external parties to confidential data and information was restricted. In the case of internal access to services, monitoring of their use was deployed. In connection with the approach to access, the Committee started analysing various applications to streamline the scope of tracked data and information and to enhance the functionality of the application.

The Security Committee gradually evaluated and approved the proposed security policies for development projects (e.g. the integration of mobile devices in the corporate environment, the use of cloud services, the certification policy, a wireless access network).

The Committee approved and implemented a number of measures to enhance the business continuity of the PX holding, to improve the internal control of information systems, to introduce a system of managed change process and to increase the security awareness of the staff.

In 2012, no security incident (violation of confidentiality or integrity of information) was reported.

The internal audit division and the Internal Audit Committee focused on verifying the compliance of actual information security with the policy of the PX holding and with the requirements of the Czech National Bank for the security of the information system, as well as on verifying the compliance of the content and scope of activities secured by various divisions with the rules (generally binding regulations, Exchange Rules, CSD Prague Rules, etc.). The Committee continuously evaluated the implementation of troubleshooting measures.

Exchange Shareholders

Shareholders of Prague Stock Exchange as of 31 December 2012:

	Shareholder	Shares (qty)	Share in registered equity (%)
1	Brněnská obchodní, a.s. in liquidation	100	0.038
2	CLMT a.s.	100	0.038
3	EASTBROKERS, akciová společnost in liquidation	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	Moravia Banka, a.s. in liquidation	500	0.189
9	CEESEG Aktiengesellschaft	245,958	92.739

The Prague Stock Exchange holds 20 shares, i.e. 0.008% of the equity capital.

Exchange Members

No new member company was accepted in 2012.

The four companies mentioned below ceased to be traded on the exchange, in all cases upon their own request.
Českomoravská záruční a rozvojová banka, a.s.
Deutsche Bank Aktiengesellschaft Filiale Prag, organizační složka
ING Bank N. V.
The Royal Bank of Scotland N.V.

List of members as of 31 December 2012: (15 + 2)
BH Securities a.s.
CYRRUS, a.s.
Česká spořitelna, a.s.
Československá obchodní banka, a. s.
Equilor Investment Ltd.
Fio banka, a.s.
IPOPEMA Securities S.A.
J & T BANKA, a.s.
Komerční banka, a.s.
LBBW Bank CZ a.s.
Patria Finance, a.s.
PPF banka a.s.
Raiffeisenbank a.s.
UniCredit Bank Czech Republic, a.s.
WOOD & Company Financial Services, a.s.

Statutory members:
Czech National Bank
Czech Ministry of Finance

The following companies acted as market makers for equities in 2012:
BH Securities a.s.
Česká spořitelna, a.s.
Equilor Investment Ltd.
Fio banka, a.s.
J & T BANKA, a.s.
Komerční banka, a.s. (activity terminated as of 30 November 2012)
Patria Finance, a.s.
Raiffeisenbank a.s.
UniCredit Bank Czech Republic, a.s.
WOOD & Company Financial Services, a.s.

The following companies acted as specialists for structured products in 2012:
BH Securities a.s. (until November 2012 – redemption of listed issues)
Raiffeisenbank a.s.

The following companies acted as patrons in 2012:
Cyrrus, a.s. – for the E4U issue (terminated in September 2012 upon their own request)
Patria Finance, a.s. – for the KITD issue (terminated as of 21 December 2012 because the issue ceased to be traded)

Report of the Supervisory Board regarding Inspection Activity Submitted for Approval to Stock Exchange Shareholders during the 24th Regular General Meeting of Shareholders Held on 25 April 2013

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

At its meeting on 10 April 2013, the Supervisory Board discussed the Report on the Business Operations of the Exchange for 2012 and the Report on the Consolidated Financial Results for 2012.The Supervisory Board has no comments on the submitted reports and therefore recommends their approval by the General Meeting of Shareholders.

2. **Report on the Review of 2012 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 2012 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 2012 Consolidated Financial Statements, the Regular Financial Statements and the Stock Exchange Chamber's proposal for the distribution of profit be approved by the General Meeting of Shareholders.

The Supervisory Board agrees with the Stock Exchange Chamber's proposal regarding the payment of a dividend to shareholders in the amount of CZK 521 per share, and recommends that the payment of the dividend in this amount be approved by the General Meeting of Shareholders.

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

Prague, 10 April 2013

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Ing. Jan Klenor
Chairperson of the Supervisory Board of Burza cenných papírů Praha, 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 2012

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

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

in the 2012 fiscal year.

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

As of 31 December 2012, the Controlling Undertaking holds a 100% stake in WB, a 100% stake in LB, and a 50.45% stake in BSE and 92.74% in the Controlled Undertaking.

The report provides a list of agreements entered into between these undertakings during the 2012 fiscal year, other legal steps between the affiliated undertakings in their interest, and a list of all measures adopted or executed by the Controlled Undertaking in the interest of or upon a request from such undertakings.

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

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

- **Central Clearing Counterparty, a.s.**, with its registered office at Prague 1, Rybná 14/682, ID No.: 28381696;

- **Energy Clearing Counterparty, a.s.**, with its registered office at Prague 1, Rybná 682/14, ID No.: 28441681;
- **CENTRAL COUNTERPARTY, a.s.**, with its registered office at Prague 1, Rybná 14/682, ID No.: 27122689;
- **Centrální depozitář cenných papírů, a.s.,** with its registered office at Prague 1, Rybná 14, ID No. 25081489;
- **POWER EXCHANGE CENTRAL EUROPE, a.s.**, with its registered office at Prague 1, Rybná 14, ID No.: 27865444.

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

Agreements

The business relationships between the Controlling and Controlled Undertakings were regulated by the following agreements during the 2012 fiscal year; on the basis of the agreements the following payments were made:

Agreement entered into on	Agreement title	Description	Payments (including VAT)
1 August 2011	Agreement on the opening of an account in the securities central register and the provision of related services	Opening and management of a securities asset account in the Central Securities Depository; The remuneration depends on the volume of securities registered in the asset account	0
20 December 2012	Loan Agreement	Loan of the MCZK 75., interest rate 1Y PRIBOR + 0.75% p.a.	TCZK 75,000

The business relationships between the WB and the Controlled Undertaking were regulated by the following agreements during the 2012 fiscal year; on the basis of the agreements the following payments were made:

Between LB and the Controlled Undertaking in the 2012 fiscal year only the Mutual

Agreement entered into on	Agreement title	Description	Payments (including VAT)
18 August 2009	Data Vending Cooperation Agreement, as amended by Addendum No. 1 dated 12 August 2011, Addendum No.2 dated 29 June 2012, Addendum No. 3 dated 3 October 2012	Cooperation relating to the trading of information	EUR 63,794
1 July 2009	FRAMEWORK AGREEMENT - INDEX LICENSING BUSINESS	Framework agreement relating to the trading of indexes	EUR 11,500
23 December 2011	MASTER FRAMEWORK AGREEMENT	Framework agreement relating to the transfer of the technical trading system to a single XETRA trading system	EUR 60,800
23 December 2011	Supplement Agreement for TTR Services, Supplement Agreement for Remote Member Services, Supplement Agreement for Market Maintenance Services, Supplement Agreement for Index Services, Supplement Agreement for Connectivity Services, Supplement Agreement for Exchange Services	Supplementary agreements relating to the services provided by PSE in connection with the MFA above	0
14 September 2012	Agreement on Index Services Launch Date	Supplementary agreement relating to the MFA above specifying initial setup of Index Services	0
29 October 2012	Mutual Agreement on Providing Authority to conclude cross-membership agreements with CEESEG members	Agreement facilitating cross-membership of Partner Exchanges	0
30 October 2012	Agreement on Market Maintenance Service	Supplementary agreement relating to the MFA above specifying initial setup of XETRA	0

Agreement on Providing Authority to conclude cross-membership agreements with CEESEG members has been concluded.

No agreements were entered into between BSE and the Controlled Undertaking during the 2012 fiscal year; no services were provided and no payments made.

Legal Acts and other measures
On 26th April 2012 Burza cenných papírů Praha, a.s. held the 22nd Annual General Meeting of Shareholders and adopted the following decisions:

- Approval of the report on the business operations of the exchange and the balance of exchange assets in 2011;
- Approval of regular exchange financial statements for the year 2011 and the decision regarding the allocation of profits;
- Approval of the 2012 exchange principles of operation and management;
- Discussion and approval of amendments to the Articles of Association, as regards the status and organization of BRS
- Approval of the Agreement on the execution of office of an Exchange Chamber member, incl. approval of the amount of compensation of the Exchange Chamber members and approval of the remuneration from the labour relationship
- Discussion on the report of the supervisory board regarding inspection activity, including the auditor's report and the review of the report on affiliated entities
- Appointment of the Exchange Member
- Appointment of the auditor for the exchange

The next General Meeting, the 23rd, was held on 19 December 2012. The only item on the agenda was the approval of the Loan Agreement from PSE to CEESEG.

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

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

Prague, 11 March 2013

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

Financial Part

Translation note

This version of our report/the accompanying documents is a translation from the original, which was prepared in Czech. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

KPMG Česká republika Audit, s.r.o.
Pobřežní 648/1a
186 00 Praha 8
Česká republika

Telephone +420 222 123 111
Fax +420 222 123 100
Internet www.kpmg.cz

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 2012, 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 Česká republika Audit, s.r.o., a Czech limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Obchodní rejstřík vedený Městským soudem v Praze oddíl C, vložka 24185.

IČ 49619187
DIČ CZ699001996

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Burza cenných papírů Praha, a.s. as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

Prague
15 March 2013

KPMG Česká republika Audit

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

Pavel Závitkovský
Partner
Licence number 69

Balance Sheet as at 31 December 2012

(in CZK thousand)

		31 December 2012			31 December 2011
ASSETS		Gross	Adjustment	Net	Net
	TOTAL ASSETS	679,920	(112,050)	567,870	560,699
B.	Fixed assets	237,354	(109,685)	127,669	125,732
I.	Intangible fixed assets	47,392	(46,382)	1,010	1,633
3.	Software	43,492	(42,482)	1,010	1,416
6.	Other intangible fixed assets	3,900	(3,900)	–	48
7.	Intangible fixed assets under construction	–	–	–	169
II.	Tangible fixed assets	62,362	(59,303)	3,059	2,499
3.	Individual movable assets and sets of movable assets	62,294	(59,303)	2,991	2,291
7.	Intangible fixed assets under construction	68	–	68	208
III.	Non-current financial assets	127,600	(4,000)	123,600	121,600
1.	Equity investments in subsidiaries	107,600	(4,000)	103,600	101,600
2.	Investments in associated companies	20,000	–	20,000	20,000
C.	Current assets	436,466	(2,365)	434,101	427,201
I.	Inventories	–	–	–	–
II.	Long-term receivables	130	–	130	122
5.	Long-term prepayments made	41	–	41	48
8.	Deferred tax asset	89	–	89	74
III.	Short-term receivables	331,051	(2,365)	328,686	356,564
1.	Trade receivables	14,559	(2,365)	12,194	19,843
2.	Receivables – group undertakings	228,405	–	228,405	233,753
4.	Receivables from shareholders/owners	221	–	221	8,146
6.	Tax receivables	63,093	–	63,093	93,924
7.	Short-term advances paid	67	–	67	158
8.	Estimated receivables	24,689	–	24,689	719
9.	Other receivables	17	–	17	21
IV.	Current financial assets	105,285	–	105,285	70,515
1.	Cash	217	–	217	138
2.	Bank accounts	76,189	–	76,189	42,433
3.	Short-term securities and investments	28,879	–	28,879	27,944
D. I.	Deferrals	6,100	–	6,100	7,766
1.	Prepaid expenses	6,100	–	6,100	5,952
3.	Accrued revenuesí	–	–	–	1,814

(in CZK thousand)

EQUITY AND LIABILITIES		31 December 2012	31 December 2011
	TOTAL EQUITY AND LIABILITIES	**567,870**	**560,699**
A.	**Equity**	**456,525**	**430,009**
I.	**Share capital**	**265,116**	**265,216**
1.	Share capital	265,216	265,216
2.	Own shares	(100)	–
II.	**Capital contributions**	**–**	**–**
III.	**Statutory reserve fund**	**53,043**	**53,043**
1.	Statutory reserve fund/Undistributable reserves	53,043	53,043
IV.	**Retained earnings**	**94**	**138**
1.	Retained profits	94	138
V.	**Profit for the current period**	**138,272**	**111,612**
B.	**Liabilities**	**108,185**	**127,655**
I.	**Provisions**	**1,054**	**6,133**
3.	Income tax provision	–	3,997
4.	Other provisions	1,054	2,136
II.	**Long-term liabilities**	**13**	**13**
5.	Long-term advances received	13	13
III.	**Short-term liabilities**	**78,392**	**121,509**
1.	Trade payables	5,042	2,601
4.	Liabilities to shareholders/owners	57,736	98,996
5.	Liabilities to employees	8,159	6,683
6.	Liabilities for social security and health insurance	2,707	2,740
7.	State – tax payables	2,030	1,741
8.	Short-term advances received	–	1,000
10.	Estimated payables	2,502	7,539
11.	Other payables	216	209
IV.	**Bank loans and overdrafts**	**28,726**	**–**
3.	Short-term financial liabilities	28,726	–
C. I.	**Accruals**	**3,160**	**3,035**
1.	Accrued expenses	289	176
2.	Deferred revenue	2,871	2,859

Income Statement for the year ended 31 December 2012

(in CZK thousand)

		Year ended 2012	Year ended 2011
II.	Revenue from own products and services	206,028	247,487
1.	Revenue from own products and services	206,028	247,397
3.	Own work capitalized	–	90
B.	Cost of sales	50,815	50,415
1.	Raw materials and consumables	1,046	810
2.	Services	49,769	49,605
+	**Added value**	**155,213**	**197,072**
C.	Personnel expenses	62,608	69,089
1.	Wages and salaries	45,033	48,964
2.	Remuneration of board members	2,109	2,136
3.	Social security and health insurance expenses	12,762	14,627
4.	Other social costs	2,704	3,362
D.	Taxes and charges	112	108
E.	Depreciation of fixed assets	2,907	3,892
III.	Proceeds from disposals of fixed assets and materials	–	–
1.	Proceeds from disposals of fixed assets	–	–
2.	Proceeds from disposals of raw material	–	–
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	(1,097)	725
IV.	Other operating revenues	637	875
H.	Other operating expenses	2,158	2,951
*	**Operating profit**	**89,162**	**121,182**
VI.	Proceeds from sale of securities and ownership interests	–	–
J.	Securities and shares sold	–	–
VII.	Revenue from long-term investments	61,100	9,500
1.	Revenue from investments in group undertakings and associated companies	61,100	9,500
VIII.	Revenue from short-term financial investments	979	459
K.	Loss on investments	18	1,468
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	–	–
X.	Interest income	5,510	6,002
N.	Interest expense	4	–
XI.	Other financial revenues	331	1,479
O.	Other financial expenses	1,450	1,359
*	**Financial profit**	**66,448**	**14,613**
Q.	Tax on profit on ordinary activities	17,338	24,183
1.	– current	17,353	23,694
2.	– deferred	(15)	489
**	**Profit from ordinary activities**	**138,272**	**111,612**
***	**Profit for the current period**	**138,272**	**111,612**
****	**Profit before tax**	**155,610**	**135,795**

Cash Flow Statement for the year ended 31 December 2012

(in CZK thousand)

		Year ended 2012	Year ended 2011
P.	**Opening balance of cash and cash equivalents**	**42,571**	**84,519**
	Cash flows from operating activities		
Z.	Net profit on ordinary activities before tax	155,610	135,795
A.1.	Adjustments for non-cash movements	(65,731)	(9,842)
A.1.1.	Depreciation and amortization of fixed assets	2,907	3,892
A.1.2.	Change in provisions	(1,097)	725
A.1.3.	Loss on the sale of fixed assets	–	–
A.1.4.	Dividend income	(61,100)	(9,500)
A.1.5.	Net interest expense	(5,506)	(6,002)
A.1.6.	Possible adjustments by other non-cash operations	(935)	1,043
A.*	**Net cash flow from ordinary activities tax, changes in working capital and items**	**89,879**	**125,953**
A.2.	Working capital changes	(4,883)	(40,299)
A.2.1.	Change in receivables and prepayments	38,109	(146,871)
A.2.2.	Change in short-term payables and accruals	(42,992)	106,572
A.2.3.	Change in inventories	–	–
A.2.4.	Change in short-term investments	–	–
A.**	**Net cash flow from ordinary activities before tax and extraordinary items**	**84,996**	**85,654**
A.3.	Interest paid	(4)	–
A.4.	Interest received	870	1,428
A.5.	Income tax on ordinary activities paid	(25,254)	(16,016)
A.6.	Receipts and disbursement from extraordinary items	–	–
A.7.	Dividends received	61,100	9,500
A.***	**Net cash flow from ordinary activities**	**121,708**	**80,566**
	Cash flows from investing activities		
B.1.	Acquisition of fixed assets	(4,843)	(10,062)
B.2.	Proceeds from sale of fixed assets	–	–
B.3.	Loans to related parties	–	–
B.***	**Net cash flow from investing activities**	**(4,843)**	**(10,062)**
	Cash flows from financing activities		
C.1.	Changes in liabilities from financing activities	28,626	–
C.2.	Changes in equity	(111,656)	(112,452)
C.2.6.	Dividends paid	(111,656)	(112,452)
C.***	**Net cash flow from financing activities**	**(83,030)**	**(112,452)**
F.	**Net increase or decrease in cash and cash equivalents**	**33,835**	**(41,948)**
R.	**Cash and cash equivalents at the end of the year**	**76,406**	**42,571**

Statement of Changes in Equity for the year ended 31 December 2012

(in CZK thousand)

	Registered capital	Own shares	Statutory reserve fund	Retained profits	Accumul. losses	Profit/loss for the current period	Total equity
Balance as at 31 December 2010	**265,216**	**–**	**50,961**	**30**	**–**	**114,642**	**430,849**
Allocation of profit	–	–	2,082	112,560	–	(114,642)	–
Dividends paid	–	–	–	(112,452)	–	–	(112,452)
Profit for the current period	–	–	–	–	–	111,612	111,612
Balance as at 31 December 2011	**265,216**	**–**	**53,043**	**138**	**–**	**111,612**	**430,009**
Allocation of profit	–	–	–	–	–	–	–
Dividends paid	–	–	–	(44)	–	(111,612)	(111,656)
Purchase of own shares	–	(100)	–	–	–	–	(100)
Profit for the current period	–	–	–	–	–	138,272	138,272
Balance as at 31 December 2012	**265,216**	**(100)**	**53,043**	**94**	**–**	**138,272**	**456,525**

Table of Contents

Notes to the Financial Statements for the year ended 31 December 2012

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 14/682, Prague 1, was incorporated by means of a Memorandum of Association dated 24 July 1992 by twelve Czechoslovak banks and five brokerage firms.

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

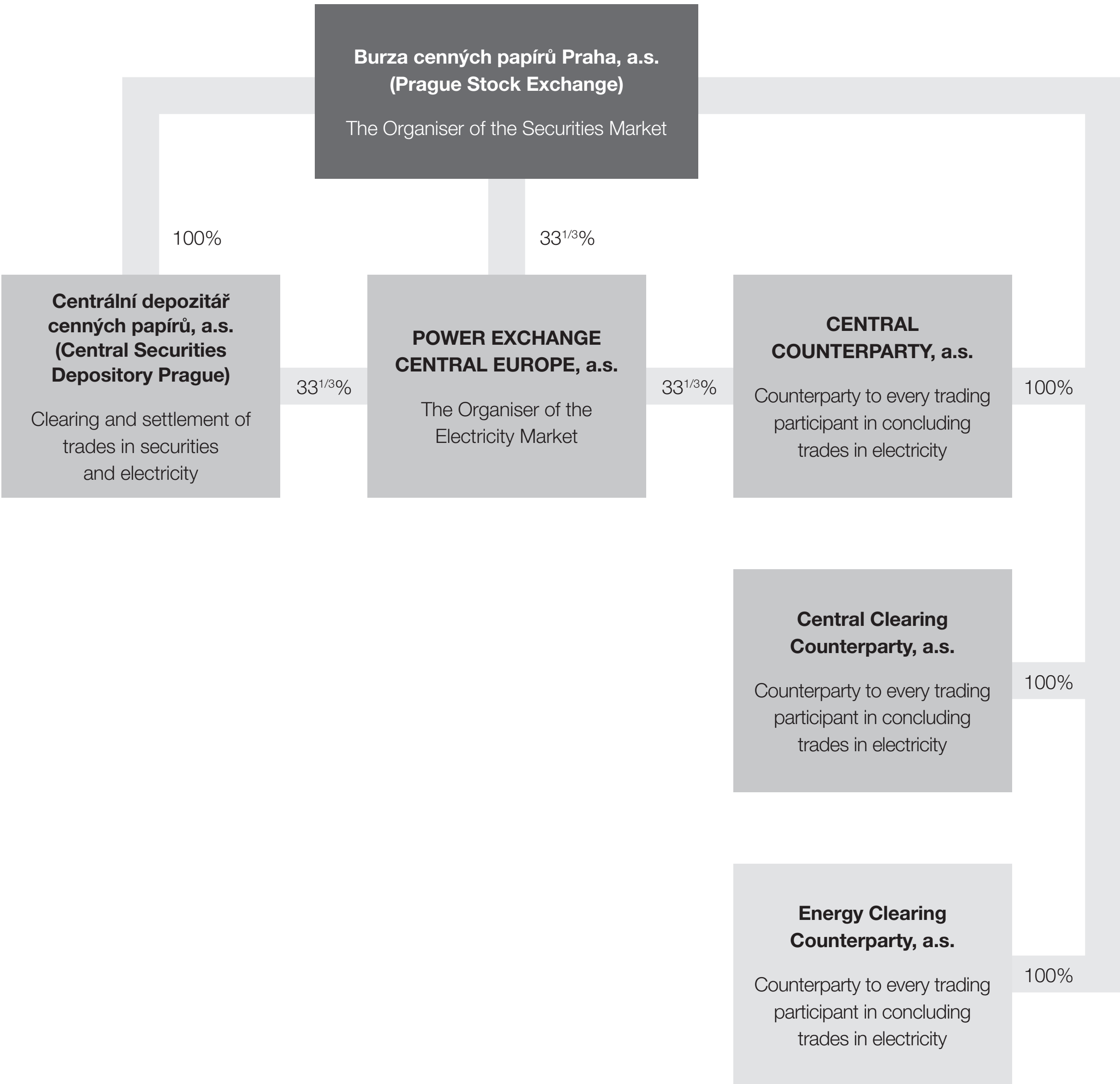
The principal activities of the Company are as follows:
– Organizing, in compliance with generally binding legal regulations, the Exchange rules and regulations of stock exchange, at a defined place and time, by authorized persons, the supply and demand of registered securities, investment instruments which are not securities, or other capital market instruments in the scope issued by the Securities Committee, which applies to the following capital market instruments, including:
  a) options pursuant to Section 8a (1)(g) of the Securities Act, whose value is derived from the value of the exchange rate index composed of shares registered in a public market in the Czech Republic, which has no weight in this index greater than 35%;
  b) futures pursuant to Section 8a (1)(d) of the Securities Act, whose value is derived from the value of the exchange rate index composed of shares registered in a public market in the Czech Republic, which has no weight in this index greater than 35%;
  c) futures pursuant to Section 8 (1)(d) of the Securities Act, whose value is derived from the value of the interest rate commonly used in the financial market in the Czech Republic;
  d) futures pursuant to Section 8a (1)(d) of the Securities Act, whose value is derived from the value of the basket of at least two government bonds in the sense of Section 18 (1) of Act No. 530/1990 Coll. on bonds, as amended, registered in the public market in the Czech Republic;
  e) investment certificates as defined in Section 3 (2)(d) of the Act on Business Activities on the Capital Market;
  f) warrants, other domestic securities with similar rights attached, and foreign securities bearing similar rights (warrants) as defined in Section 3 (2)(c) or (d) and Section 3 (3)(a) of the Act on Capital Market;
  g) futures as defined in Section 3b or 3e of the Act on Capital Market, where the underlying asset is:
    1. a share accepted for trading on an organized market within the EU or OECD;
    2. an index of stock markets in the EU or OECD, including stock indices encompassing shares from several countries, and basket of such indices;
    3. currency of the EU or OECD country;
    4. the exchange rate of a country within the EU or OECD;
    5. price or revenue of a government bond issued by an EU or OECD country denominated in the currency of this country, including a basket of such bonds;
    6. the price of an emission allowance established by an organized market based in the EU or OECD;
    7. the price of a commodity established by an organized marked based in the EU or OECD.

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

1.2. Organizational Structure of the Company

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

1.3. Group Identification
Structure as at 31 December 2012



POWER EXCHANGE CENTRAL EUROPE, a.s.:

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

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

- The Company was registered in the Commercial Register on 5 March 2007.
- On 1 July 2009 Energetická burza Praha was renamed to POWER EXCHANGE CENTRAL EUROPE, a.s. (henceforth "PXE"). The Czech National Bank (henceforth "CNB") granted a licence to PXE on 4 February 2009 to organize a commodity derivatives market (henceforth "the Licence"). According to the amended Act on Capital Markets (amended Act 230/2008 Coll. adopted in 2008), regularly traded commodity derivatives are considered investment instruments. Consequently, each entity that provides and organizes such a market is supervised and licensed by the CNB. The Licence allows PXE to provide a market with physical settlement as well as financial settlement. The Licence is recognized across the European Union, which simplifies possible expansion in the Central and Eastern Europe region.

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

- CDCP (formerly "UNIVYC, a.s."), with its registered office at Rybná 14/682, Praha 1, was entered into the Commercial Register on 8 October 1996.
- Burza cenných papírů Praha, a.s. is the sole shareholder of CDCP.
- The registered capital of CDCP as at 31 December 2012 amounts to TCZK 100,000.
- The CNB granted a licence to UNIVYC, a.s. enabling it to operate a settlement system for all trades concluded on PXE. UNIVYC, a.s. requested the regulatory body for permission to perform central depository services according to the Act on Capital Markets 256/2004, Section 100.
- According to the CNB's decision dated 14 August 2009, the function of a central depository was granted to UNIVYC, a.s. Subsequently, UNIVYC, a.s. changed its registered name to Centrální depozitář cenných papírů, a.s.
- Based on the licence from the CNB, the central depository started operating on 7 July 2010. The transfer of registered and immobilized securities from Středisko cenných papírů was successfully carried out as at 7 July 2010.
- The principal subjects of operation of Centrální depozitář cenných papírů, a.s. include: operating a settlement system for the settlement of exchange and OTC transactions with investment instruments; lending of securities; administration and management of guarantee instruments; custody and management of investment instruments; settlement of electricity trades; administration of central records of registered dematerialized securities issued in the Czech Republic; assigning identification codes to investment instruments; the central depository operates on a participant principle and it provides services related to administration of central records of securities as well as trades settlement through the participants; the central depository also provides services for securities issuers.

CENTRAL COUNTERPARTY, a.s.:

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

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

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

On 8 December 2008 CEESEG AG became a new majority shareholder (92.74%) of the Company. The number of shareholders decreased from 27 to 10.

1.4. Exchange Chamber and Supervisory Board as at 31 December 2012

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

2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles in the Czech Republic and have been prepared under the historical cost convention except as disclosed below. Derivatives, securities and investments (except for investments in controlled entities/subsidiaries and associates) are shown at fair value. All figures are presented in thousands of Czech crowns ("TCZK"), unless indicated otherwise. The Company has not changed any of its accounting methods and principles during 2012 and 2011.

2.1. Tangible fixed assets

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

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

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

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

Property, plant and equipment	3 years

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

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

2.2. Intangible fixed assets

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

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

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

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

Software	3 years

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

2.3. Investments in controlled entities/subsidiaries and associates

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

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

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

2.4. Other securities and investments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.12. Related parties
The Company's related parties are considered to be the following:
- shareholders, of which the Company is a subsidiary or an associate, directly or indirectly, and other subsidiaries and associates of these shareholders;
- members of the Exchange Chamber and Supervisory Board, management, parent companies and parties close to such members, including entities in which they have a controlling or significant influence; and/or
- subsidiaries and associates.

Material transactions and outstanding balances with related parties are disclosed in Note 3.5.3., 3.9.1. and 3.14.1. and 3.14.2.

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

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

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

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

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

As at January 2012 the Group used an advances coefficient of 100%. The Group applied this coefficient to calculate a proportional VAT deduction on acquired supplies in 2012. In the VAT return for December 2012, a settlement coefficient of 93% was calculated and represents the advance coefficient for 2013. 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 2012.

Based on the group registration the Group claimed 93% of the VAT as a deductible item in the VAT return.

2.18. Xetra® trading system
The Company launched Xetra®, a new trading system, in 2012 to replace the original trading system effective as of 30 November 2012. The Xetra® implementation became the third major IT project successfully carried out by the Group in last few years. The previous projects were establishing a trading platform for electrical energy trading (POWER EXCHANGE CENTRAL EUROPE) and the merger of the securities records administration and the settlement system (CDCP). Establishing a new trading system is in compliance with CEESEG group strategy, which aims to enhance the accessibility of national markets for foreign investors. Xetra® is used by more than 250 banks and investment companies and more than 4,700 registered traders all around the world.

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

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

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

3.1. Fixed assets

3.1.1. Intangible fixed assets

(in CZK thousand)

Cost	Balance as at 1 January 2011	Additions	Disposal	Balance as at 31 December 2011	Additions	Disposals	Balance as at 31 December 2012
Software	42,456	599	–	43,055	648	211	43,492
Other intangible fixed assets	3,900	–	–	3,900	–	–	3,900
Intangible fixed assets under construction	169	–	–	169	–	169	–
Total	**46,525**	**599**	**–**	**47,124**	**648**	**380**	**47,392**

(in CZK thousand)

Accumulated amortization	Balance as at 1 January 2011	Additions	Disposals	Balance as at 31 December 2011	Additions	Disposals	Balance as at 31 December 2012
Software	40,232	1,407	–	41,639	1,003	160	42,482
Other intangible fixed assets	3,788	64	–	3,852	48	–	3,900
Total	**44,020**	**1,471**	**–**	**45,491**	**1,051**	**160**	**46,382**

(in CZK thousand)

Net book value	Balance as at 1 January 2011	Balance as at 31 December 2011	Balance as at 31 December 2012
Software	2,224	1,416	1,010
Other intangible fixed assets	112	48	–
Intangible fixed assets under construction	169	169	–
Total	**2,505**	**1,633**	**1,010**

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

(in CZK thousand)

	Amortization
2012	1,051
2011	1,471

In 2011 and 2012 no allowances to intangible fixed assets were created.

3.1.2. Tangible fixed assets

(in CZK thousand)

Cost	Balance as at 1 January 2011	Additions	Disposals	Balance as at 31 December 2011	Additions	Disposals	Balance as at 31 December 2012
Individual movable assets	61,858	755	1,357	61,256	2,580	1,542	62,294
– Machinery and equipment	43,343	185	568	42,960	784	276	43,468
– Furniture and fixtures	7,175	75	75	7,175	921	447	7,649
– Low value tangible FA	11,340	495	714	11,121	875	819	11,177
Tangible FA under construction	–	967	759	208	68	208	68
Total	**61,858**	**1,722**	**2,116**	**61,464**	**2,648**	**1,750**	**62,362**

(in CZK thousand)

Accumulated depreciation and provisions	Balance as at 1 January 2011	Additions	Disposals	Balance as at 31 December 2011	Additions	Disposals	Balance as at 31 December 2012
Individual movable assets	57,902	2,421	1,358	58,965	1,856	1,518	59,303
– Machinery and equipment	40,333	1,848	569	41,612	1,253	276	42,589
– Furniture and fixtures	6,663	218	75	6,806	186	447	6,545
– Low value tangible FA	10,906	355	714	10,547	417	795	10,169
Total	**57,902**	**2,421**	**1,358**	**58,965**	**1,856**	**1,518**	**59,303**

(in CZK thousand)

Net book value	Balance as at 1 January 2011	Balance as at 31 December 2011	Balance as at 31 December 2012
Individual movable assets	3,956	2,291	2,991
– Machinery and equipment	3,010	1,348	879
– Furniture and fixtures	512	369	1,104
– Low value tangible FA	434	574	1,008
Tangible FA under construction	–	208	68
Total	**3,956**	**2,499**	**3,059**

Disposals of Tangible Fixed Assets

Disposals of tangible fixed assets amounted to TCZK 1,542 in 2012 (2011: TCZK 1,357). The most significant disposals are represented by computers, servers and other technical equipment.

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

(in CZK thousand)

	Depreciation
2012	1,856
2011	2,421

In 2012 and 2011 no allowances against tangible fixed assets were created.

Off-balance sheet tangible fixed assets amount to TCZK 2,247 (2011: TCZK 2,302). None of the assets is pledged as collateral.

3.2. Leased assets

As at 31 December 2012, the Company has seven cars under operating leases. The aggregate amount of payments made in 2012 was TCZK 1,922 (2011: TCZK 1,935). The Company resides in the rented premises. The rent amounted to TCZK 10,858 in 2012 (2011: TCZK 10,338).

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

(in CZK thousand)

	Balance as at 31 December 2012	Balance as at 31 December 2011
Current within one year	12,577	12,715
Due after one year but within five years	35,968	54,652
After five years	10,602	20,996
Total	**59,147**	**88,363**

3.3. Long-term investments

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

Burza cenných papírů Praha, a.s. decided to provide a supplementary payment in addition to the share capital of Central Clearing Counterparty, a.s. amounting to TCZK 5,500, and Energy Clearing Counterparty amounting to TCZK 5,000 (of which TCZK 2,000 in 2012).

(in CZK thousand)

Cost	Balance as at 31 December 2011	Additions	Balance as at 31 December 2012
* 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.	7,500	–	7,500
Energy Clearing Counterparty, a.s	5,000	2,000	7,000
Total	**125,600**	**2,000**	**127,600**

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

(in CZK thousand)

Provisions	Balance as at 31 December 2011	Additions	Disposals	Balance as at 31 December 2012
Central Clearing Counterparty, a.s.	2,000	–	–	2,000
Energy Clearing Counterparty, a.s.	2,000	–	–	2,000
Total	**4,000**	**–**	**–**	**4,000**

(in CZK thousand)

Net value	Balance as at 31 December 2011	Balance as at 31 December 2012
Centrální depozitář cenných papírů, a.s.	90,100	90,100
CENTRAL COUNTERPARTY, a.s.	3,000	3,000
POWER EXCHANGE CENTRAL EUROPE, a.s.	20,000	20,000
Central Clearing Counterparty, a.s.	5,500	5,500
Energy Clearing Counterparty, a.s.	3,000	5,000
Total	**121,600**	**123,600**

As at 31 December 2012, Centrální depozitář cenných papírů, a.s. reports equity of TCZK 176,653. In 2012 it generated a profit of TCZK 64,118. Based on the decision of its sole shareholder, the dividends from the 2011 profit were paid in 2012 in the amount of TCZK 56,000.

As at 31 December 2012, POWER EXCHANGE CENTRAL EUROPE, a.s. reports equity of TCZK 67,258. In 2012 it generated a profit of TCZK 5,872. Based on the decision of the general meeting, the dividends were paid in 2012 in the amount TCZK 15,300 (of which TCZK 5,100 was paid to the Company).

As at 31 December 2012, CENTRAL COUNTERPARTY, a.s. reports equity of TCZK 14,381 and profit of TCZK 4,484 for 2012.

As at 31 December 2012, Central Clearing Counterparty, a.s. reports equity of TCZK 334. In 2012 it incurred a loss of TCZK 2,216.

As at 31 December 2012, Energy Clearing Counterparty, a.s. reports equity of TCZK 820. In 2012 it incurred a profit of TCZK 354.

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

3.4. Financial assets

(in CZK thousand)

	Balance as at 31 December 2012	Balance as at 31 December 2011
Cash in hand	217	138
Current accounts	55,349	21,539
Term accounts in banks	20,840	20,840
Short-term securities	28,879	27,944
– held to maturity – depository notes	–	–
– at fair value through profit or loss	28,879	27,944
with fixed income	–	–
with variable yield	28,879	27,944
Total financial assets	**105,285**	**70,515**

According to an Asset management contract, the Company held an EIB VAR/18 bond as at 31 December 2012 and 31 December 2011.

The Company has a restricted term deposit in the amount of TCZK 20,000 at Komerční banka, a.s. as at 31 December 2012.

The debt securities recognized on the balance sheet under “Short-term securities and investments” comprise securities with a market value of TCZK 28,726 (2011: TCZK 0) which are used as a financial collateral in the repurchase transaction (see Note 3.10.).

3.5. Short-term receivables

(in CZK thousand)

Category	Balance as at 31 December 2012	Balance as at 31 December 2011
Trade receivables – customers	12,194	19,843
Receivables from shareholders/owners	228,405	233,753
Tax receivable	63,093	93,924
Operating prepayments made	67	158
Receivables from partners	848	8,146
Estimated receivables	24,689	719
Other receivables and social security	17	21
Total short-term receivables, net	**329,313**	**356,564**

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

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

The item “Tax receivable”, amounting to TCZK 63,093, mainly comprises paid advances related to corporate income tax and accounting for VAT within the Group.

In 2012 the Company paid TCZK 22,575 (2011: TCZK 21,415) in advance payments related to corporate income tax. The actual tax liability for 2012 amounted to TCZK 18,671 (2011: TCZK 25,412). The corporate income tax provision was reduced by income tax prepayments and in 2012 the net receivable amounting to TCZK 3,904 was recorded in Tax receivables (2011: the corporate income tax provision amounted to TCZK 3,997, see Note 3.8.).

Accounting for VAT within the Group amounts to TCZK 17,939 in November 2012 and TCZK 40,942 in December 2012. This receivable is further allocated among the VAT Group members and recognized as “Payables to shareholders/owners” (see Note 3.9.).

3.5.1. Ageing of short-term trade receivables

(in CZK thousand)

Year	Category	Due	Past due date					Total past due date	Total
			0–60 Days	61–180 days	181–360 days	1–2 years	2 and more years		
2012	Nominal value	11,678	–	214	302	–	2,365	2,881	**14,559**
	Allowances	–	–	–	–	–	2,365	2,365	**2,365**
	Net	11,678	–	214	302	–	–	516	**12,194**
2011	Nominal value	19,276	70	497	–	–	2,380	2,947	**22,223**
	Allowances	–	–	–	–	–	2,380	2,380	**2,380**
	Net	19,276	70	497	–	–	–	568	**19,843**

Unpaid trade receivables are not secured. The Company has receivables which are more than five years after maturity amounting to TCZK 2,365 (2011: TCZK 2,380). These receivables are covered by allowances of 100%.

3.5.2. Allowances

(in CZK thousand)

	Allowances for trade receivables
Balance as at 1 January 2011	**2,394**
Creation	–
Release	(14)
Usage	–
Balance as at 31 December 2011	**2,380**
Creation	–
Release	(15)
Usage	–
Balance as at 31 December 2012	**2,365**

3.5.3. Receivables from related parties

(in CZK thousand)

Name of the company	Balance as at 31 December 2012	Balance as at 31 December 2011
Short-term trade receivables		
Centrální depozitář cenných papírů, a.s.	7,926	5,430
POWER EXCHANGE CENTRAL EUROPE, a.s.	626	670
CENTRAL COUNTERPARTY, a.s.	–	1
Energy Clearing Counterparty, a.s.	–	1
Wiener Börse AG	113	–
Total short-term receivables	**8,665**	**6,102**

(in CZK thousand)

Name of the company	Balance as at 31 December 2012	Balance as at 31 December 2011
Loans		
Centrální depozitář cenných papírů, a.s.	135,111	199,583
CENTRAL COUNTERPARTY, a.s.	18,253	3,651
Energy Clearing Counterparty, a.s.	–	30,519
CEESEG AG	75,041	–
Total loans	**228,405**	**233,753**

(in CZK thousand)

Name of the company	Balance as at 31 December 2012	Balance as at 31 December 2011
Receivable within the Group registration to VAT		
POWER EXCHANGE CENTRAL EUROPE, a.s.	219	–
CENTRAL COUNTERPARTY, a.s.	2	–
Central Clearing Counterparty, a.s.	–	8,146
Total receivable within the Group registration to VAT	**221**	**8,146**

No receivables from related parties are overdue.

3.5.4. Estimated receivables

(in CZK thousand)

	Balance as at 31 December 2012	Balance as at 31 December 2011
Unbilled rental services	674	719
Unbilled stock exchange information	24,006	–
Unbilled estimates – others	9	–
Estimated receivables	**24,689**	**719**

The estimated receivables from unbilled stock exchange information amounting to TCZK 24,006 have arisen from the contract concluded between the Company and Wiener Börse AG.

3.6. Deferred expenses and accrued income

(in CZK thousand)

	Balance as at 31 December 2012	Balance as at 31 December 2011
Deferred expenses	**6,100**	**5,952**
Rental of non-residential premises	3,760	3,695
Insurance	333	218
Other	2,007	2,039
Accrued income	**–**	**1,814**
Stock exchange information	–	1,611
Interest	–	22
Other	–	181
Total accruals and deferrals	**6,100**	**7,766**

The accrued income from unbilled stock exchange information amounting to TCZK 1,611 in 2011 has arisen from the contract concluded between the Company and Wiener Börse AG.

Other accrued income amounting to TCZK 181 in 2011 has arisen from the PX indices trading contract concluded between the Company and Wiener Börse AG.

3.7. Equity

3.7.1. Share capital

The Company's share capital recorded in the Commercial Register as at 31 December 2012 of TCZK 265,216 (2011: TCZK 265,216) is divided into 265,216 registered shares with a nominal value of CZK 1,000 per share.

Own shares

The Company repurchased 20 of its own shares for an acquisition price of TCZK 100 in 2012. The face value of these shares is TCZK 20.

3.7.2. Profit for the year 2011

The net profit for 2011 of TCZK 111,612 was approved and allocated by the general meeting of shareholders on 26 April 2012.

3.7.3. Statutory reserve fund

(in CZK thousand)

Balance as at 31 December 2010	**50,961**
Creation from the 2010 profit	2,082
Balance as at 31 December 2011	**53,043**
Creation from the 2011 profit	–
Balance as at 31 December 2012	**53,043**

3.8. Provisions

(in CZK thousand)

	Tax reserve	Reserve for staff bonuses	Other	Total
Balance as at 31 December 2010	**–**	**1,398**	**–**	**1,398**
Creation/(release)	3,997	1,704	432	6,133
Release	–	(1,398)	–	(1,398)
Balance as at 31 December 2011	**3,997**	**1,704**	**432**	**6,133**
Creation/(release)	–	1,054	–	1,054
Release	(3,997)	(1,704)	(432)	(6,133)
Balance as at 31 December 2012	**–**	**1,054**	**–**	**1,054**

In 2012 the Company made advance payments related to corporate income tax amounting to TCZK 22,575 (2011: TCZK 21,415). The actual tax liability for 2012 amounted to TCZK 18,671 (2011: TCZK 25,412). The corporate income tax provision was reduced by income tax prepayments and in 2012 a net receivable amounting to TCZK 3,904 was recorded in Tax receivables (2011: The corporate income tax provision amounted to TCZK 3,997, see Note 3.5.).

3.9. Short-term liabilities

Short-term liabilities have the following structure:

(in CZK thousand)

Category	Balance at as 31 December 2012	Balance as at 31 December 2011
Trade payables – domestic	3,064	2,601
Trade payables – foreign countries	1,978	–
Prepayments received	–	1,000
Tax liabilities	2,030	1,741
Payables to shareholders/owners	57,736	98,996
Payables to employees	8,159	6,683
Social security and health insurance payables	2,707	2,740
Other payables	216	209
Estimated payables	2,502	7,539
Total short-term payables	**78,392**	**121,509**

No trade payables as at 31 December 2012 and 2011 are overdue. Neither social security and health insurance payables nor payables related to the tax office are overdue.

3.9.1. Payables to related parties

(in CZK thousand)

Name of the company	Balance as at 31 December 2012	Balance as at 31 December 2011
– Trading payables	**1,536**	**9**
Centrální depozitář cenných papírů, a.s.	8	9
Wiener Börse AG	1,528	–
– VAT aggregation	**57,736**	**98,996**
Centrální depozitář cenných papírů, a.s.	5,003	34,937
POWER EXCHANGE CENTRAL EUROPE, a.s.	–	884
Central Clearing Counterparty, a.s.	4,697	–
CENTRAL COUNTERPARTY, a.s.	30,383	28,309
Energy Clearing Counterparty, a.s.	18,280	34,866
Total short-term payables to related parties	**59,272**	**99,005**

3.10. Short-term financial liabilities

(in CZK thousand)

	Balance as at 31 December 2012	Balance as at 31 December 2011
Short-term financial liabilities – repurchase transactions	28,726	–
Total short-term financial liabilities – repurchase transactions	**28,726**	**–**

3.11. Deferred tax

The deferred tax asset as at 31 December 2012 is calculated at 19% (the rate enacted for 2013). Deferred tax as at 31 December 2011 was calculated at 19%.

The deferred tax asset can be analysed as follows:

(in CZK thousand)

Deferred tax	Balance as at 31 December 2012	Balance as at 31 December 2011
Accumulated depreciation and amortization of fixed assets	(111)	(250)
Provisions	200	324
Deferred tax asset	**89**	**74**
Deferred tax expense/(credit)	**(15)**	**489**

3.12. Income tax on ordinary activities

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

(in CZK thousand)

	Balance as at 31 December 2012	Balance as at 31 December 2011
Profit before tax	155,610	135,795
Theoretical tax at a tax rate of 19% (2011: 19%)	29,566	25,801
Tax effect of not deductible expenses	1,136	1,690
Tax effect of non-taxable income	(12,031)	(2,079)
Tax reclaim	–	–
Tax returned from previous years	(1,318)	(1,718)
Current tax	**17,353**	**23,694**
Change in deferred tax	(15)	489
Total income tax on ordinary activities	**17,338**	**24,183**

3.13. Details of revenues by principal activity

(in CZK thousand)

			2012			2011
	Domestic	Foreign	Total	Domestic	Foreign	Total
Stock exchange fees	55,670	6,889	62,559	79,460	5,911	85,371
– Annual trading fees	8,280	920	9,200	8,740	268	9,008
– Listing fees	8,835	3,604	12,439	8,755	4,555	13,310
– Trading fees	38,555	2,365	40,920	61,965	1,088	63,053
Services relating to settlement	62,746	–	62,746	76,909	–	76,909
Services for POWER EXCHANGE CENTRAL EUROPE, a.s.	6,987	–	6,987	9,151	–	9,151
Stock exchange information	835	32,394	33,229	2,779	35,267	38,046
IT services provided to CDCP	21,941	–	21,941	19,732	–	19,732
Other	17,804	762	18,566	18,188	–	18,188
Total income from the sale of services	**165,983**	**40,045**	**206,028**	**206,219**	**41,178**	**247,397**

3.14. Related party transactions

3.14.1. Revenues from related party transactions

(in CZK thousand)

2012 Entity	Relation to the Company	Services	Financial income	Total
Centrální depozitář cenných papírů, a.s.	Subsidiary	76,511	60,244	136,755
CENTRAL COUNTERPARTY, a.s.	Subsidiary	122	390	512
POWER EXCHANGE CENTRAL EUROPE, a.s.	Associate	8,015	5,127	13,142
Central Clearing Counterparty, a.s.	Subsidiary	123	1	124
Energy Clearing Counterparty, a.s.	Subsidiary	160	597	757
CEESEG AG	Parent	–	41	41
Wiener Börse AG	Affiliate	24,119	–	24,119
Total		**109,050**	**66,400**	**175,450**

(in CZK thousand)

2011 Entity	Relation to the Company	Services	Financial income	Total
Centrální depozitář cenných papírů, a.s.	Subsidiary	81,517	14,748	96,265
CENTRAL COUNTERPARTY, a.s.	Subsidiary	127	4	131
POWER EXCHANGE CENTRAL EUROPE, a.s.	Associate	10,187	79	10,266
Central Clearing Counterparty, a.s.	Subsidiary	129	69	198
Energy Clearing Counterparty, a.s.	Subsidiary	161	1,460	1,621
Wiener Börse AG	Affiliate	1,793	–	1,793
Total		**93,914**	**16,360**	**110,274**

Revenues from related party transactions contain mainly:

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

Financial income is represented by interest from loans.

3.14.2. Services purchased from related parties

(in CZK thousand)

2012 Entity	Relation to the Company	Services
Centrální depozitář cenných papírů, a.s.	Subsidiary	6,457
Wiener Börse AG	Affiliate	1,609
Total		**8,066**

(in CZK thousand)

2011 Entity	Relation to the Company	Services
Centrální depozitář cenných papírů, a.s.	Subsidiary	8,932
Wiener Börse AG	Affiliate	–
Total		**8,932**

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

Services purchased from Wiener Börse AG were made based on Xetra® trading system contract.

3.15. Services

(in CZK thousand)

	Year 2012	Year 2011
Repairs and maintenance	1,408	1,420
Travel expenses	1,471	1,042
Representation costs	900	441
Rental	18,222	19,304
Operating leases	1,922	1,935
Advisory services	1,723	2,735
Audit	1,760	1,795
Promotion	2,251	1,373
Other services	20,112	19,560
Total	**49,769**	**49,605**

3.16. Other operating income

(in CZK thousand)

	Year 2012	Year 2011
Impact of VAT coefficient	566	835
Sundry operating income	71	40
Total other operating income	**637**	**875**

3.17. Other operating expenses

(in CZK thousand)

	Year 2012	Year 2011
Gifts	78	250
Insurance premiums	744	549
Sundry operating expenses	964	562
Impact of VAT coefficient	372	1,590
Total other operating expenses	**2,158**	**2,951**

3.18. Income from non-current financial assets

(in CZK thousand)

	Year 2012	Year 2011
Dividends received from subsidiaries (CDCP)	56,000	9,500
Dividends received from associates (PXE)	5,100	–
Total dividends received from subsidiaries	**61,100**	**9,500**

In 2012 and 2011 the Company collected a dividend from its subsidiary Centrální depozitář cenných papírů, a.s. and in 2012 also from its associate POWER EXCHANGE CENTRAL EUROPE, a.s.

3.19. Income from current financial assets

(in CZK thousand)

	Year 2012	Year 2011
Interest on depository notes	16	35
Gains from revaluation of FVPL securities	963	424
Total income from financial assets	**979**	**459**

3.20. Interest income

(in CZK thousand)

	Year 2012	Year 2011
Interest on current bank accounts	143	156
Interest on debt securities	272	305
Interest received from the loan to a subsidiary	5,054	5,541
Other interest received – CEESEG	41	–
Total interest income	**5,510**	**6,002**

3.21. Other financial income

(in CZK thousand)

	Year 2012	Year 2011
Foreign exchange gains	331	1,479
Total	**331**	**1,479**

3.22. Other financial expenses

(in CZK thousand)

	Year 2012	Year 2011
Foreign exchange losses	1,327	1,224
Banking charges – bank guarantee	13	18
Banking charges – other	110	117
Total	**1,450**	**1,359**

4. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES

4.1. Staff costs and number of employees

The following tables summarize the average number of the Company's employees and management for the years ended 31 December 2012 and 2011:

	Headcount		Personnel expenses total (in CZK thousand)	
	Year 2012	Year 2011	Year 2012	Year 2011
Employees	35	36	35,651	45,731
Management	6	6	21,764	17,741
Total	**41**	**42**	**57,415**	**63,472**

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

4.2. Loans, borrowings and other benefits provided

During the years ended 31 December 2012 and 2011, the members of the Exchange Chamber and management received the following loans and bonuses in addition to their basic salaries:

(in CZK thousand)

	Exchange Chamber		Management		Total	
	Year 2012	Year 2011	Year 2012	Year 2011	Year 2012	Year 2011
Bonuses	2,489	2,255	–	–	2,489	2,255
Life and pension insurance contributions	–	–	241	205	241	205
Cars/other movable and immovable assets to be used for private purposes	–	–	684	612	684	612
Total	**2,489**	**2,255**	**925**	**817**	**3,414**	**3,072**

Supervisory Board members did not receive any bonuses during the years 2012 and 2011.

4.3. Contingent liabilities

4.3.1. Bank guarantees

The Company has a bank guarantee provided by Komerční banka, a.s. as at 31 December 2012 amounting to TCZK 3,500 in favour of Burzovní Palác Investment s.r.o.

The Company guarantee for trading activities of its subsidiaries within the Group for the amount of TCZK 251,062.

4.3.2. Legal Disputes
As at 31 December 2012 the Company was not involved in any legal disputes, the outcome of which would significantly impact the Company's financial statements.

4.4. Exchange arbitration court
A permanent arbitration court (the "BRS") was established as an independent body to settle by independent arbitrators disputes arising from investment instruments trading pursuant to Act No. 216/1994 Coll. on arbitration proceedings and on exercise of arbitration awards, and BRS arbitration proceeding rules.

BRS is established by the Exchange Chamber. BRS resides in the premises rented by the Company.

(in CZK thousand)

BRS results	Year 2012	Year 2011
Revenus	1,000	–
Expenses	979	–
Profit	**21**	**–**
Financial assets	**1,048**	**2,022**

5. REMUNERATION OF THE STATUTORY AUDITOR

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

6. SUBSEQUENT EVENTS

No events have occurred since the balance sheet date that would have a material impact on the financial statements as at 31 December 2012.

Prague, 15 March 2013

Petr Koblic
CEO and Chairman of the Exchange Chamber

David Kučera
Member of the Exchange Chamber

KPMG Česká republika Audit, s.r.o.
Pobřežní 648/1a
186 00 Praha 8
Česká republika

Telephone +420 222 123 111
Fax +420 222 123 100
Internet www.kpmg.cz

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 2012, 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 consolidated financial statements including a summary of significant accounting policies and other explanatory notes. Information about the company is set out in Note 1 to these consolidated financial statements.

Statutory Body's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

KPMG Česká republika Audit, s.r.o., a Czech limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Obchodní rejstřík vedený Městským soudem v Praze oddíl C, vložka 24185.

IČ 49619187
DIČ CZ699001996

KPMG

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Burza cenných papírů Praha, a.s. as of 31 December 2012, and of its financial performance 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 2013

KPMG Česká republika Audit

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

Pavel Závitkovský
Partner
Licence number 69

Consolidated Statement of Financial Position as at 31 December 2012

(in CZK thousand)

	Note	31 December 2012	31 December 2011
CURRENT ASSETS			
Cash	6	2,004,652	2,011,940
Trade receivables	7	132,730	78,345
Securities held for trading	8	43,319	41,916
Other current assets	9	221,847	213,870
Total current assets		**2,402,548**	**2,346,071**
NON-CURRENT ASSETS			
Tangible fixed assets	10	22,527	30,125
Intangible fixed assets	11	242,924	297,910
Other non-current assets	13	71	78
Total non-current assets		**265,522**	**328,113**
TOTAL ASSETS		**2,668,070**	**2,674,184**
CURRENT LIABILITIES			
Trade payables	14	137,335	117,372
Liabilities from margin deposits	15	1,798,190	1,933,743
Other current liabilities	16	124,942	52,051
Advances received	19	13	1,013
Income tax payable	29	2,569	13,634
Current bank loans	17	–	15,267
Other current financial liabilities	18	28,726	–
Provisions	21	15,721	10,365
Total current liabilities		**2,107,496**	**2,143,445**
NON-CURRENT LIABILITIES			
Deferred tax liability	20	8,204	6,172
Total non-current liabilities		**8,204**	**6,172**
SHAREHOLDERS' EQUITY			
Share capital	22	265,216	265,216
Treasury shares	22	(100)	–
Other funds	22	77,020	73,492
Retained earnings	30	210,234	185,859
Total shareholders' equity		**552,370**	**524,567**
LIABILITIES AND SHAREHOLDERS' EQUITY		**2,668,070**	**2,674,184**

The Notes form an integral part of these Consolidated financial statements.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2012

(in CZK thousand)

	Note	31 December 2012	31 December 2011
Revenues	**23**	**514,460**	**550,326**
Services	24	(127,408)	(125,515)
Material	24	(2,099)	(2,298)
Employee benefit expenses	25	(128,188)	(129,992)
Depreciation and amortization expenses	26	(79,845)	(75,900)
Other net operating expenses	27	(4,021)	(3,369)
Profit from operating activities		**172,899**	**213,252**
Interest income	28	236	545
Interest expense	28	(191)	(507)
Net trading income	28	1,822	(1,108)
Other net financial income/(expenses)	28	(2,124)	(3,082)
Net financial income		**(257)**	**(4,152)**
Profit before income tax		**172,642**	**209,100**
Income tax expense	29	(33,083)	(41,164)
Profit for the period		**139,559**	**167,936**
Other comprehensive income for the period		–	–
Total comprehensive income for the period		**139,559**	**167,936**

The Notes form an integral part of these Consolidated financial statements.

Consolidated Statement of Changes in Equity for the year ended 31 December 2012

(in CZK thousand)

	Share capital	Treasury shares	Other funds	Retained earnings	Total
31 December 2010	**265,216**	**–**	**70,899**	**132,968**	**469,083**
Distribution to funds	–	–	2,593	(2,593)	–
Distribution of dividends	–	–	–	(112,452)	(112,452)
Profit for the period	–	–	–	167,936	167,936
Other comprehensive income	–	–	–	–	–
31 December 2011	**265,216**	**–**	**73,492**	**185,859**	**524,567**
Distribution to funds	–	–	3,528	(3,528)	–
Distribution of dividends	–	–	–	(111,656)	(111,656)
Purchase of treasury shares	–	(100)	–	–	(100)
Profit for the period	–	–	–	139,559	139,559
Other comprehensive income	–	–	–	–	–
31 December 2012	**265,216**	**(100)**	**77,020**	**210,234**	**552,370**

The Notes form an integral part of these Consolidated financial statements.

Consolidated Statement of Cash Flows for the year ended 31 December 2012

(in CZK thousand)

	Note	31 December 2012	31 December 2011
Profit before tax		**172,642**	**209,100**
Adjustments for non-cash transactions:			
Depreciation and amortization	26	79,845	75,900
Increase/(decrease) in provisions		7,605	3,810
Interest income	28	(236)	(545)
Interest expense	28	191	507
(Increase)/decrease in accounts receivable		(64,604)	(165,329)
Decrease in securities held for trading		(1,403)	1,565
Increase/(decrease) in accounts payable		(43,699)	(259,551)
Net operating cash flow before taxation and interest		**150,341**	**(134,543)**
Interest received		236	545
Interest paid		(191)	(507)
Income tax paid		(42,116)	(16,784)
Net cash flow from ordinary activities		**108,270**	**(151,289)**
Acquisition of tangible and intangible fixed assets		(17,261)	(122,900)
Net cash flow from investing activities		**(17,261)**	**(122,900)**
Increase/(decrease) in loans		13,459	15,267
Purchase of treasury shares		(100)	–
Dividends paid	30	(111,656)	(112,452)
Net cash flow from financing activities		**(98,297)**	**(97,185)**
Effect of exchange rate changes on cash held		–	843
Net increase in cash and cash equivalents		**(7,288)**	**(370,531)**
Cash and cash equivalents at the beginning of the year	**38**	**2,011,940**	**2,382,471**
Cash and cash equivalents at the end of the year	**38**	**2,004,652**	**2,011,940**

The Notes form an integral part of these Consolidated financial statements.

Table of Contents

Notes to the Consolidated Financial Statements for the year ended 31 December 2012

1. GENERAL INFORMATION

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

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

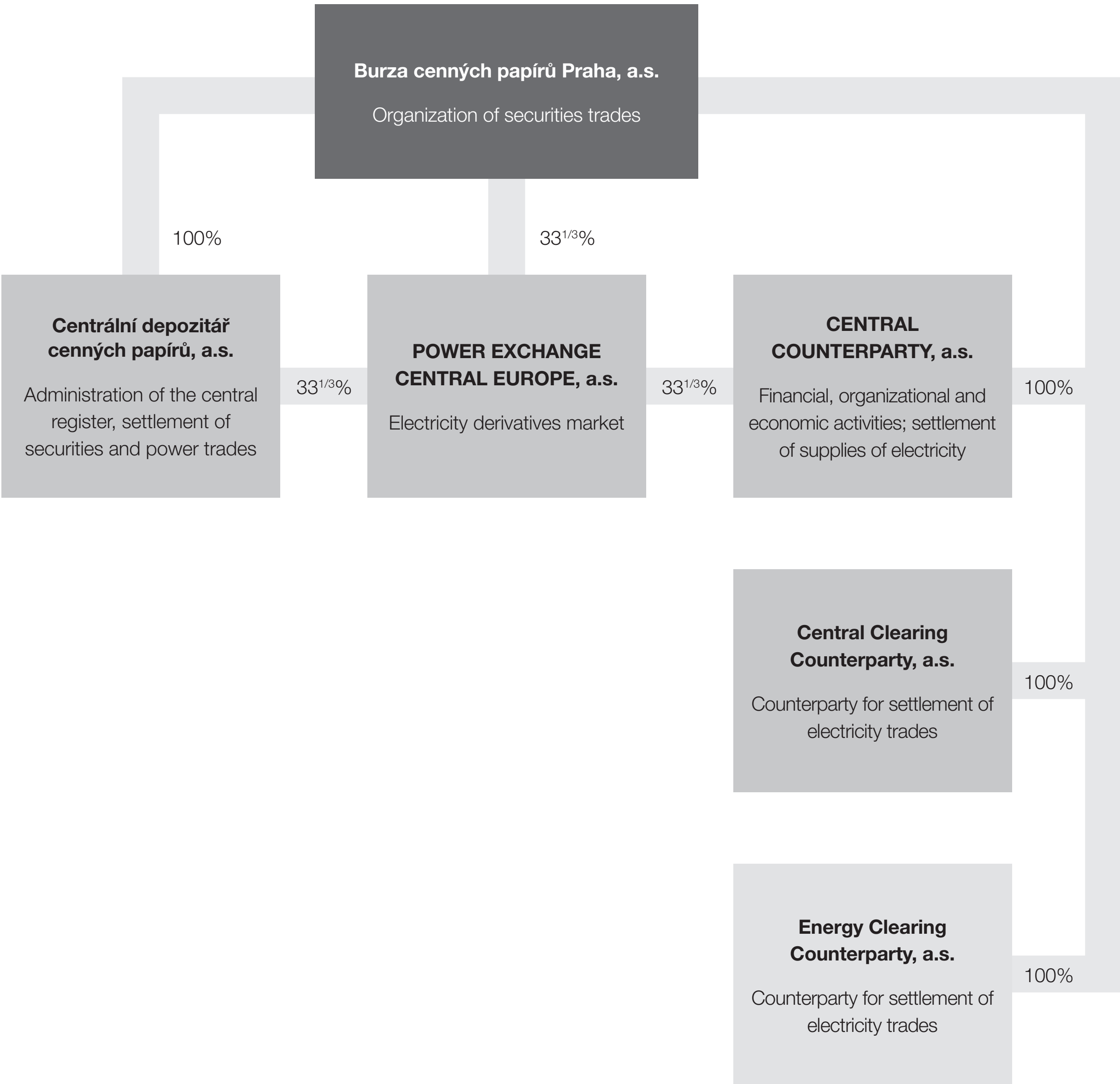
The Company was entered into the Commercial Register maintained by the District Court for Prague 1 on 24 November 1992. The Ministry of Finance of the Czech Republic granted a permit to incorporate the Company on 16 October 1992. The corporate details of the Company are maintained in the Commercial Register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

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

Company name	Activity	ID No.	Share in the consolidated Group	
			2012	2011
Burza cenných papírů Praha, a.s.	Organization of demand and supply of registered securities	471 15 629	100%	100%
Centrální depozitář cenných papírů, a.s. (formerly UNIVYC, a.s.)	Settlement of securities trades	250 81 489	100%	100%
CENTRAL COUNTERPARTY, a.s. (formerly Centrální depositář, a.s.)	Financial, organizational and economic activities; settlement of supplies of electricity	271 22 689	100%	100%
Central Clearing Counterparty, a.s.	Rent of property; electroenergy – supply of electricity (branch)	283 81 696	100%	100%
Energy Clearing Counterparty, a.s.	Rent of property; trading in electricity	284 41 681	100%	100%
POWER EXCHANGE CENTRAL EUROPE, a.s. (formerly Energetická burza Praha, a.s.)	Power derivatives market	278 65 444	100%	100%

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

Structure of the Consolidated Group



From 8 December 2008, the majority owner of the consolidated group is CEESEG AG, which holds a 92.74% share as at 31 December 2012 (2011: 92.74%).

2. SPECIFIC DEVELOPMENTS IMPACTING THE GROUP'S OPERATIONS DURING 2012

The Company launched Xetra®, a new trading system, in 2012 to replace the original trading system effective as of 30 November 2012.

The Xetra® implementation became the third major IT project successfully carried out by the Group in last few years. The previous projects were:
• establishing a trading platform Trayport GlobalVision for electrical energy trading from October 2011 in POWER EXCHANGE CENTRAL EUROPE, a.s.;
• and the merger of the securities records administration and the settlement system from July 2010 in Centrální depozitář cenných papírů, a.s.

Prague Stock Exchange introduced the following investment opportunities in 2012:
• shares of OCEL HOLDING SE
• shares of ENERGOCHEMICA, a.s., and
• shares of Tatry mountain resort, a.s.

As of 1 July 2012 Centrální depozitář cenných papírů, a.s. expanded its activities by providing services to owners of investment instrument who have not yet entered into an agreement with a member of Centrální depozitář cenných papírů, a.s. pursuant to Section 202 of Act No. 256/2004 Coll. on capital market undertakings as amended.

In 2012, Prague Energy Exchange strengthened its position as market leader in electrical energy trading in the CEE region. Goldman Sachs, Česká spořitelna, a.s. (the leading Czech bank) and Europe Easy Energy, a.s. entered the market which increased the total number of members to 45 from 10 European countries.

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.

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Any financial asset or liability may be designated as an instrument at fair value through profit or loss on initial recognition.

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

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

4.4.2. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:
- 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;
- those that the entity upon initial recognition designates as available for sale; or
- those for which the holder may recover substantially all of its initial investment, other than because of credit deterioration.

4.4.3. Held-to-maturity financial assets

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

4.5. Tangible and Intangible Fixed Assets

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

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

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

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

4.6. Impairment of Financial Assets

Financial assets carried at amortized cost

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

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:
- breach of contract, e.g. a delay in payments of more than 180 days after the due date;
- initiation of insolvency proceedings.

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

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

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

The Group applies the following criteria for write off of financial assets:
• the final bankruptcy resolution or cancellation of bankruptcy proceedings;
• finalization of court proceedings or declaration of the debt as irrecoverable.

4.7. Impairment of non-financial assets

Where the carrying amount of a non-financial asset stated at net book value or amortized cost is greater than its estimated recoverable amount as at the financial statements, it is written down immediately to its recoverable amount. The recoverable amount is the greater of the following amounts:
• the market value which can be recovered from the sale of an asset under normal conditions, net of selling costs;
• or the estimated future economic benefits arising from the use of the asset.

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

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

4.8. Revenue recognition

Revenues are recognized on an accrual basis when the service has been provided. Exchange charges, fees from settlement of trades, fees from PXE electricity trading, income from primary issues, sales from mediation of payments of revenues from securities, fees for administration of central securities depository for the participants of Centrální depozitář cenných papírů, a.s. and sales of other services are all recognized based on the applicable service contracts. Sales from securities custody and administration are accrued on a time-apportioned basis. Part of the Group's revenues also includes fees for services to the owners of investment instruments which have no contract with a member of Centrální depozitář cenných papírů, a.s., and services for the state administration to which the Group is legally obliged to provide information.

4.9. Interest income and expense

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4.14. Stock Exchange Guarantee Fund, Collateral Fund and Margin Deposit Fund, and Obligations to the Association Participants

4.14.1. Stock Exchange Guarantee Fund and Clearing fund

The Group administrated the funds included in the Stock Exchange Guarantee Fund (hereinafter "SEGF") until 29 November 2012. SEGF was an association with non-legal entity status. The funds of the association were 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 were 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. The Group was in line with SEGF rules on the administration of SEGF funds.

The Group recorded SEGF funds under administration in the off-balance sheet. For SEGF fund administration the Group obtained fees according to SEGF rules. For the last time, these fees were recorded in operating revenues in the statement of comprehensive income. Interest income, reduced by administrative costs and the Group fee, was allocated to individual SEGF members according to SEGF rules. This split was recognized in the off-balance sheet and does not affect the Group statement of comprehensive income.

The system of risk management and settlement of stock exchange transactions was changed based on a decision of Prague Stock Exchange.

SEGF, whose participants fully guaranteed payables of the participants, was replaced as at 30 November 2012 by CDCP Clearing fund (hereinafter "CLF"), for which this liability is limited.

The purpose of CLF is to accumulate finances to cover liabilities and risks resulting from the trades settled through Prague Stock Exchange by clearing and non-clearing members. Deposits to CLF were placed in a separate bank and property account in the name of Centrální depozitář cenných papírů, a.s. Financial resources are allocated for the settlement of liabilities from trading by members, especially to cover fees for unsatisfied liabilities of members and trade settlement (settlement between the trade and substitute trade, or more precisely settlement of exchange rate differences). The Group records financial resources of CLF in off-balance sheet accounts.

Revenues from financial assets held through CLF are not part of the Company's revenues.

Revenues and expenses of CLF are distributed among individual members in compliance with agreed rules.

Through Centrální depozitář cenných papírů, a.s., the Group receives a fee in the amount of 12.5% of the total interest and capital revenues for management of CLF resources.

4.14.2. Collateral Fund and Margin Fund

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

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

4.15. Margin Deposits and Clearing Fund

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

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

4.16. Accounting for Derivative Financial Instruments

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

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

4.17. Changes in Accounting Policies arising from the Adoption of New IFRS and Amendments to existing IAS effective since 1 January 2012

During the current accounting period, the Group adopted all new and amended standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB which relate to its line of business, are applicable to the accounting period beginning on 1 January 2012 and were adopted by the European Union.

Impact of issued but not yet effective standards and interpretations

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

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

Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013) contains new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements.

IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements (effective for annual periods beginning on or after 1 January 2014; earlier application is permitted if IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011) are also applied early) provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. IFRS 10 introduces new requirements to assess control that are different from the existing requirements in IAS 27 (2008). The new Standard also includes the disclosure requirements and the requirements relating to the preparation of consolidated financial statements. These requirements are carried forward from IAS 27 (2008).

IFRS 12 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2014; Retrospective and earlier application is permitted) requires additional disclosures relating to significant judgements and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities.

IFRS 13 Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013; earlier application is permitted) replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains “how” to measure fair value when it is required or permitted by other IFRSs. The standard does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

Amendments to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012; retrospective and earlier application is permitted) The amendments require that an entity presents separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. If items of other comprehensive income are presented before related tax effects, then the aggregated tax amount should be allocated between these sections. Change the title of the Statement of Comprehensive Income to Statement of Profit or Loss and Other Comprehensive Income, however, other titles are also allowed to be used.

Amendments to IAS 12: Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2013; retrospective and earlier application is permitted). The amendments introduce a rebuttable presumption that the carrying value of investment property measured using the fair value model would be recovered entirely by sale. Management's intention would not be relevant unless the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. This is the only instance in which the presumption can be rebutted.

IAS 28 (2011) Investments in Associates and Joint Ventures (Amendments effective for annual periods beginning on or after 1 January 2014; retrospective and earlier application is permitted if IFRS 10, IFRS 11, IFRS 12 and IAS 27 (2011) are also applied early).

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

4.18. Application of IFRS 7 – Financial Instruments: Disclosures

The Group's consolidated financial statements for the year ended 31 December 2012 were prepared in accordance with the standard IFRS 7 – Financial Instruments: Disclosures.

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

The Group recognizes the following types of financial instruments:
Financial instruments by class and category as at 31 December 2012

(in CZK thousand)

Categories	Loans and receivables	Securities held for trading	Financial liabilities	Financial assets held for trading (derivatives)	Financial liabilities held for trading (derivatives)
Classes					
Cash	2,004,652	–	–	–	–
Trade receivables	132,730	–	–	–	–
Securities held for trading	–	43,319	–	–	–
Other current assets	112,241	–	–	–	–
Other non-current assets	71	–	–	–	–
Trade payables	–	–	14,546	–	–
Liabilities from Margin Deposits	–	–	1,798,190	–	–
Current advances received	–	–	13	–	–
Other current liabilities	–	–	96,484	–	133
Short-term financial liabilities	–	–	28,726	–	–
Total	**2,249,694**	**43,319**	**1,937,959**	**–**	**133**

Financial instruments by class and category as at 31 December 2011

(in CZK thousand)

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

Gains and losses by category of financial instruments for 2012

(in CZK thousand)

Categories	Loans and receivables	Securities held for trading	Financial liabilities	Financial assets held for trading (derivatives)	Financial liabilities held for trading (derivatives)
Interest income	236	–	–	–	–
Interest expense	–	–	(191)	–	–
Net trading income	–	1,822	–	–	–
Net financial income	66,541	–	(67,985)	(3,902)	3,222
Total	**66,777**	**1,822**	**(68,176)**	**(3,902)**	**3,222**

Gains and losses by category of financial instruments for 2011

(in CZK thousand)

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

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

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

5.1. Impairment losses on trade receivables

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

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

At 31 December 2012 and 31 December 2011 the Group recognized an impairment loss on trade receivables; court action is underway for their enforcement and the likelihood of payment is minimal.

5.2. Determination of fair value

For determination of the fair value of financial assets and liabilities without any current market price, the valuation techniques described in 4.4 are used. For financial instruments that are traded only rarely and which are of low price transparency, fair value is less objective and require various levels of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks that affect the specific amounts.

The Company determines fair value using the following hierarchical system that reflects the significance of inputs used in valuation:
– Level 1: prices of identical assets or liabilities quoted in active markets (unadjusted)
– Level 2: derived from objectively observable market data, either directly (i.e. prices of similar instruments) or indirectly (i.e., derivation from prices)
– Level 3: input data that are not based on objectively observable market data (inputs that cannot be determined objectively).

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

5.3. Income tax

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

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

In 2012, the Group reported a deferred tax liability mainly arising from temporary differences in fixed assets which will affect the corporate income tax base in future periods.

6. CASH

Cash as at 31 December 2012 and 2011 consists of the following balances:

(in CZK thousand)

	2012	2011
Cash in hand	682	510
Cash at bank	90,080	39,731
Stock Exchange Guarantee Fund and Collateral Fund	87,135	28,006
Term deposits	20,840	20,840
Margin Deposits for trades in electricity	1,805,915	1,922,853
Total cash	**2,004,652**	**2,011,940**

7. TRADE RECEIVABLES

Trade receivables as at 31 December 2012 and 2011 consist of the following balances:

(in CZK thousand)

	2012	2011
Trade receivables	137,816	81,182
Provision	(5,086)	(2,837)
Total receivables (net)	**132,730**	**78,345**

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

Impairment provisions can be analysed as follows:

(in CZK thousand)

	2012	2011
Balance as at 1 January	2,837	2,494
Additions to provisions	2,358	357
Release of provisions	(109)	(14)
As at 31 December	**5,086**	**2,837**

8. SECURITIES HELD FOR TRADING

(in CZK thousand)

	2012	2011
Traded debt securities and other variable yield securities	43,319	41,916

Securities with a market value of TCZK 28,726 (2011: TCZK 0) which are transferred under repo operations are recorded in traded debt securities and other variable yield securities which are presented under securities held for trading in the balance sheet.

9. OTHER CURRENT ASSETS

(in CZK thousand)

	2012	2011
Accrued income	310	1,869
Estimated receivables	24,015	148
Positive fair value of derivatives	–	269
Loans granted	75,041	–
Other financial assets	12,875	27,440
Financial assets	**112,241**	**29,726**
Prepayments	11,722	49,657
Short-term advances	924	244
Receivables from employees	29	31
Receivable from the state for VAT refund and CIT advances	96,931	134,212
Non-financial assets	**109,606**	**184,144**
Total	**221,847**	**213,870**

10. TANGIBLE FIXED ASSETS

(in CZK thousand)

2012	Equipment	Vehicles	Fixtures and fittings	Other	Fixed assets under construction	Total
Cost						
As at 1 January 2012	97,673	14	10,797	11,121	208	119,813
Additions	2,605	–	921	875	275	4,676
Disposals	(522)	–	(447)	(819)	(208)	(1,996)
As at 31 December 2012	**99,756**	**14**	**11,271**	**11,177**	**275**	**122,493**
Accumulated depreciation						
As at 1 January 2012	69,909	14	9,221	10,544	–	89,688
Depreciation charge	11,233	–	391	417	–	12,041
Disposals	(521)	–	(447)	(795)	–	(1,763)
As at 31 December 2012	**80,621**	**14**	**9,165**	**10,166**	**–**	**99,966**
Net book value						
As at 1 January 2012	**27,764**	**–**	**1,576**	**577**	**208**	**30,125**
As at 31 December 2012	**19,135**	**–**	**2,106**	**1,011**	**275**	**22,527**

(in CZK thousand)

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

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

The additions to tangible fixed assets in the amount of TCZK 4,676 (in 2011: TCZK 8,043) mainly represent the purchase of IT (servers, computers, backup equipment, switches, disk arrays, tape libraries) and air conditioning.

11. INTANGIBLE FIXED ASSETS

(in CZK thousand)

2012	Software	Other	Total
Cost			
As at 1 January 2012	187,286	233,448	420,734
Additions	13,868	118	13,986
Disposals	(210)	(1,116)	(1,326)
As at 31 December 2012	**200,944**	**232,450**	**433,394**
Accumulated amortization			
As at 1 January 2012	90,958	31,866	122,824
Amortization charge	48,712	19,092	67,804
Disposals	(158)	–	(158)
As at 31 December 2012	**139,512**	**50,958**	**190,470**
Net book value			
As at 1 January 2012	**96,328**	**201,582**	**297,910**
As at 31 December 2012	**61,432**	**181,492**	**242,924**

(in CZK thousand)

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

The most significant items of intangible assets of the Group are valuated database records of SCP and the purchase of software licences associated with the activities of the central securities depository. The Group spent TCZK 400,766 on the purchase of these assets in 2011 and 2010.

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

The Group has unfinished intangibles in the amount of TCZK 118 (2011: TCZK 948). The amount is related to the implementation of a system to store and manage archived data.

Disposals of intangible assets of TCZK 210 (in 2011 TCZK 33,119) relates mainly to the withdrawal of licences for computer software for a specific time period.

12. OPERATING LEASES

As at 31 December 2012, the Company has 11 cars under operating leases. The total value of lease payments paid in 2012 amounted to TCZK 2,962 (2011: TCZK 2,738). The companies of the Group are located in rented premises. In 2012, the amount for the rent of these premises was TCZK 10,858 (2011: TCZK 10,338).

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

(in CZK thousand)

	2012	2011
Due in 1 year	13,398	13,590
Due in 1–5 years	36,319	55,934
Due in more than 5 years	10,602	20,996
Total	**60,319**	**90,520**

13. OTHER NON-CURRENT ASSETS

(in CZK thousand)

	2012	2011
Non-current advances paid	71	78

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

14. TRADE PAYABLES

(in CZK thousand)

	2012	2011
Trade payables from electricity trading	122,789	101,828
Other trade payables	14,546	15,544
Total	**137,335**	**117,372**

No trade payables were overdue as at 31 December 2012 and 31 December 2011.

15. LIABILITIES FROM MARGIN DEPOSITS

(in CZK thousand)

Financial liabilities	2012	2011
Liabilities from electricity and derivatives trading (margin deposits)	1,798,190	1,906,221
Liabilities from derivatives (BCPP)	–	27,522
Total	**1,798,190**	**1,933,743**

Securities margin deposits were not covered by bank guarantee in 2012 (2011: TCZK 13,500), PXE margin deposits were covered by bank guarantee in the amount of TCZK 423,866 (2011: TCZK 718,788).

16. OTHER LIABILITIES

(in CZK thousand)

	2012	2011
Accrued expenses	3,364	3,653
Estimated payables	2,696	7,586
Payables from received guarantees for lent securities (Collateral Fund)	87,135	19,484
Other payables	3,289	406
Financial liabilities	**96,484**	**31,129**
Payables to staff	17,251	11,702
Social security and health insurance payables	6,287	5,918
Other payables	4,920	3,302
Non-financial liabilities	**28,458**	**20,922**
Other current liabilities	**124,942**	**52,051**

Accrued expenses in 2012 consist of accrued revenues for the services of the Group.

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

17. BANK LOANS

The Group has a general agreement with Komerční banka, a.s. to provide a credit line in the amount of TUSD 300, i.e. TCZK 5,717 (2011: TCZK 5,982). For the period ended 31 December 2012, the Group used a credit line in the amount of TCZK 3,500 (2011: TCZK 3,500).

The Group also has an agreement with Komerční banka, a.s. for bank payment guarantees, in order to protect the Company's commitment to OKTE, a.s., in the amount of TEUR 440, i.e. TCZK 11,062. (2011: TEUR 440, TCZK 11,352).

The Group has an agreement with Komerční banka, a.s. for the bank guarantee to ensure the commitment to the company OTE, a.s. in the amount of TCZK 20,000 (2011: TCZK 20,000).

The Group has a general agreement with Komerční banka, a.s. to provide a credit line in the amount of TCZK 220,000 (2011: TCZK 270,0000). The Group has undrawn commitments as at 31 December 2012 in the amount of TCZK 220,000 (2011: TCZK 218,066). The balance sheet liability as at 31 December 2012 was TCZK 0 (2011: TCZK 15,267).

18. OTHER SHORT-TERM FINANCIAL LIABILITIES

The Group has a short-term financial liability in the amount of TCZK 28,726 (2011: TCZK 0) resulting from the transfer of trade securities under repo operations with a due date of 18 January 2013 with a market value of TCZK 28,736.

19. SHORT-TERM ADVANCES RECEIVED

In 2012 there was received a short-term advance in the amount of TCZK 13.

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

20. DEFERRED TAX

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

The Group recognizes a deferred tax receivable as at 31 December 2012 in the amount of TCZK 2,458 (2011: TCZK 2,000) due to tax losses from current and previous periods. The Group does not claim this receivable as it does not expect to apply it in future periods.

The Group records a deferred tax liability in any case. The Group only claims receivables which it expects to apply in future periods.

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

(in CZK thousand)

	2012	2011
Fixed assets	(11,689)	(8,220)
Provisions	2,987	1,815
Other	498	233
Deferred tax asset/(liability)	**(8,204)**	**(6,172)**

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

(in CZK thousand)

	2012	2011
As at 1 January	(6,172)	(2,116)
Tax charge per the statement of comprehensive income (Note 28.)	(2,032)	(4,056)
As at 31 December	**(8,204)**	**(6,172)**

21. PROVISIONS

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

(in CZK thousand)

	2012	2011
Remuneration provision	3,208	9,553
Provision for bonuses to fees	12,513	–
Income tax provision	–	812
Total	**15,721**	**10,365**
Impact on profit creation/(release)	**5,356**	**3,467**

Provisions in the amount of TCZK 12,513 were created for bonuses to fees for services provided to issuers according to the price list up to 31 December 2013.

(in CZK thousand)

	Renumeration	Drawing of bonuses to fees	Other	Total
1 January 2012	9,553	–	812	10,365
Use of provision	(9,553)	–	(812)	(10,365)
Release of provision	–	–	–	–
Creation of provision	3,208	12,513	12,513	15,721
31 December 2012	**3,208**	**12,513**	**12,513**	**15,721**

22. SHARE CAPITAL AND SHAREHOLDERS' FUNDS

Share capital

The balance of the Company's share capital recorded in the Commercial Register comprises of 265,216 registered common shares with a nominal value of CZK 1,000 per share as at 31 December 2012 and 2011.

Treasury shares and share premium

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

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

In 2012, the Company repurchased 20 pieces of own shares for a purchase price of TCZK 100 in the nominal value of TCZK 20 from the shareholder Merx, a.s, which owned these shares until 30 September 2012.

The Company did not sell to its shareholders any of its own shares in 2012 and 2011.

Other funds

(in CZK thousand)

	31 December 2012	31 December 2011
Other capital funds	9,900	9,900
Statutory reserve fund	67,120	63,592
Total	**77,020**	**73,492**

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

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

23. REVENUES

The following table sets out the structure of revenues:

	Volume (in CZK thousand)	2012 Structure (%)	Volume (in CZK thousand)	2011 Structure (%)
Exchange charges	101,899	19.8	129,912	23.6
out of which: trading charges	40,916	8.0	63,042	11.5
information services	39,340	7.6	44,541	8.1
listing charges	12,439	2.4	13,310	2.4
membership fees	9,200	1.8	9,008	1.6
trading charges – derivatives	4	0.0	11	0.0
Revenues from central depository services	255,323	49.6	240,037	43.6
Revenues from settlement of trades	86,600	16.8	104,580	19.0
Revenues of PXE from electricity trading	44,948	8.7	49,418	9.0
Revenues from securities custody and administration	7,724	1.5	9,838	1.8
Revenues from other services	17,805	3.5	16,405	3.0
Revenues from mediation of payments of revenues from securities	161	0.0	135	0.0
Total revenues	**514,460**	**100.0**	**550,326**	**100.0**

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

24. COST OF SERVICES AND MATERIAL

The following table sets out the structure of purchased services:

(in CZK thousand)

	2012	2011
Consumed material	(2,099)	(2,298)
Total material used	**(2,099)**	**(2,298)**
Rent	(22,578)	(23,992)
Outsourcing (security, payroll)	(1,174)	(1,168)
Custody	(24)	(141)
Other services (member fees to associations, information services, carriage)	(78,828)	(74,124)
Professional advisory services (tax and legal)	(6,643)	(7,959)
Audit services	(3,000)	(3,035)
Repairs and maintenance	(1,807)	(1,559)
Advertising and promotion	(8,786)	(9,777)
Travel and representation expenses	(4,568)	(3,760)
Total services used	**(127,408)**	**(125,515)**
Total	**(129,507)**	**(127,813)**

The Company's auditor, KPMG Česká republika Audit, s.r.o., did not provide to the Group any other material services than the statutory audit of 2012 and 2011.

25. EMPLOYEE BENEFIT EXPENSES

(in CZK thousand)

	2012	2011
Wages	(89,147)	(93,531)
Statutory social and health insurance	(26,103)	(26,804)
Other employee expenses	(5,540)	(6,202)
Total	**(120,790)**	**(126,537)**

In 2012 and 2011 members of the Exchange Chambers, Boards of Directors and Supervisory Boards obtained the following remuneration:

(in CZK thousand)

	2012	2011
Exchange Chambers and Boards of Directors	(7,350)	(3,420)
Supervisory Boards	(48)	(35)
Total	**(7,398)**	**(3,455)**

26. DEPRECIATION AND AMORTIZATION EXPENSES

(in CZK thousand)

	2012	2011
Depreciation of tangible fixed assets (Note 10.)	(12,041)	(11,438)
Amortization of intangible fixed assets (Note 11.)	(67,804)	(64,462)
Total	**(79,845)**	**(75,900)**

27. OTHER NET OPERATING REVENUES/EXPENSES

Other operating income/(expenses) are as follows:

(in CZK thousand)

	2012	2011
Other operating income	10,774	13,302
Change in operating provisions and allowances (Note 7. and 21.)	(1,437)	(531)
Insurance premium	(2,134)	(2,130)
Gifts	(496)	(523)
Unclaimed VAT	(956)	(3,725)
Gains from the sale of fixed assets and raw material	–	90
Other taxes and fees	(264)	(225)
Other operating expenses	(9,508)	(9,627)
Total	**(4,021)**	**(3,369)**

Other operating income consisted primarily of fees for suspended and unsettled trades of TCZK 6,040 (2011: TCZK 7,017) and fees for inter-bank payments of TCZK 2,064 (2011: TCZK 2,696).

Other operating expenses constitute primarily the costs for administration of foreign securities in the amount of TCZK 5,779 (2011: TCZK 6,797). Another significant amount is represented by fees for giro payments to CNB of TCZK 1,058 (2011: TCZK 1,381).

Effective from 1 January 2009, Burza cenných papírů Praha, a.s., POWER EXCHANGE CENTRAL EUROPE, a.s. and Centrální depozitář cenných papírů, a.s. (henceforth “the Group”), created a Value Added Tax (henceforth “VAT”) group according to Act No. 235/2004. Consequently the Group is registered under a joint VAT identification number. As at 1 January 2011, the Group expanded to include Central Counterparty, a.s., Central Clearing Counterparty, a.s. and Energy Clearing Counterparty, a.s.

The Group recognizes the cost to apply the amount of VAT that cannot be claimed as a tax deductible item in the VAT return.

28. NET FINANCIAL INCOME/EXPENSES

Net financial income/expenses are made up as follows:

(in CZK thousand)

	2012	2011
Net trading income	(1,822)	(1,108)
Interest income	236	545
Interest expense	(191)	(507)
Net result from transactions with derivatives	(680)	1,550
Other financial income/(expense)	(1,444)	(4,632)
Net financial income	**(257)**	**(4,152)**

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

29. INCOME TAX EXPENSE

Income tax expense can be analysed as follows:

(in CZK thousand)

	2012	2011
Income tax payable – current period	32,704	38,907
Deferred tax (Note 20.)	2,032	4,056
Additional corporate income tax payment/(refund)	(1,653)	(1,798)
Total income tax	**33,083**	**41,164**

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

(in CZK thousand)

	2012	2011
Profit before tax	**172,642**	**209,100**
Theoretical tax calculated at a tax rate of 19% (2011: 19%)	32,802	39,729
Income not subject to tax	(200)	(169)
Expenses not deductible for tax purposes	2,212	3,402
Other	(1,731)	(1,798)
Total income tax expense	**33,083**	**41,164**

Tax in the statement of financial position:

(in CZK thousand)

	2012	2011
Income tax payable – current period	32,704	38,907
Income tax advance payments	(30,135)	(25,273)
Income tax payable/(receivable)	**2,569**	**13,634**

30. RETAINED EARNINGS

(in CZK thousand)

	2012	2011
Retained earnings from prior years	**185,859**	**132,968**
Profit for the period	139,559	167,936
Dividends paid	(111,656)	(112,452)
Allocations to other funds	(3,528)	(2,593)
Other comprehensive income	–	–
Retained earnings as at 31 December 2012	**210,234**	**185,859**

31. ASSOCIATED FUNDS OF SEGF (CLF, FROM 30 NOVEMBER 2012) NOT RECOGNIZED IN THE BALANCE SHEET

(in CZK thousand)

2012			
Bank accounts	41,573	Liabilities to members of association	41,573
Total assets	**41,573**	**Total liabilities**	**41,573**

CLF deposits were not covered by bank guarantee in 2012.

(in CZK thousand)

2011			
Bank accounts	5,114	Liabilities to members of association	141,814
Fixed income securities held to maturity:			
– long-term	21,898		
– short-term	114,802		
Total assets	**141,814**	**Total liabilities**	**141,814**

In 2011, joint financial resources of SEGF were covered by bank guarantee in the total amount of TCZK 50,000.

32. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

(in CZK thousand)

		2012		2011
	Fair Value	Accounting Value	Fair Value	Accounting Value
Financial assets				
Trade receivables	132,730	132,730	78,345	78,345
Other current assets*	221,847	221,847	213,601	213,601
Financial Liabilities				
Trade payables	14,546	14,546	117,372	117,372
Margin trade payables	1,798,190	1,798,190	1,933,743	1,933,743
Short-term advance	13	13	1,013	1,013
Other liabilities	96,484	96,484	52,051	52,051
Bank loans	–	–	15,267	15,267
Short-term financial liabilities	28,726	28,726	–	–

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

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

33. MANAGEMENT OF CREDIT RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

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

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

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

Maximum exposure to credit risk and the quality of assets

(in CZK thousand)

	2012	2011
Cash	2,004,652	2,011,940
Trade receivables	132,730	78,345
Securities held for trading	43,319	41,916
Other current assets	112,241	29,726
Other non-current assets	71	78
Total	**2,293,013**	**2,162,005**

Quality of financial assets which are not overdue or impaired

(in CZK thousand)

S&P rating 2012	AAA	AA- to AA+	A- to A+	BBB	No rating	Total
Securities held for trading	43,319	–	–	–	–	43,319
Cash	–	1,503	2,002,467	–	682	2,004,652
Trade receivables	–	–	–	–	132,730	132,730
Other financial assets	–	–	–	–	112,241	112,241
Other non-current assets	–	–	–	–	71	71
Total	**43,319**	**1,503**	**2,002,467**	**–**	**245,724**	**2,293,013**

(in CZK thousand)

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

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

2012	
Komerční banka, a.s.	A
Československá obchodní banka, a. s.	A-
Česká spořitelna, a.s.	A
UniCredit Bank Czech Republic, a.s.	Rating not available, though its 100% shareholder UniCredit Bank Austria AG, Österreich, has an A rating
Clearstream bank	AA

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

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

Individually impaired financial assets

(in CZK thousand)

	2012	2011
Individually impaired financial assets	5,247	2,930
Allowances	5,086	2,837
out of which: receivables in the liquidation	1,187	1,187
receivables under forces administration	1,279	1,340

Overdue financial assets, not impaired

The Group records past due receivables of TCZK 1,042 as at 31 December 2012 (2011: TCZK 1,150).

(in CZK thousand)

Year	Ageing structure – overdue financial assets, not impaired					Total
	up to 90 days	up to 180 days	up to 360 days	more than 1 year	2 years and more	
2012	678	217	302	–	–	1,197
2011	430	627	93	–	–	1,150

34. MANAGEMENT OF LIQUIDITY RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

Liquidity risk is a measure of the extent to which the Group may be required to raise funds to meet its commitments associated with financial instruments.

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

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

The Group uses only liquid financial resources.

Trade payables as at 31 December 2012 and 2011 are due within three months.

Liabilities from margin deposits in the amount of TCZK 1,798,190 (2011: TCZK 1,933,743) represent payables from the settlement of trades in electricity and financial derivatives. These payables are due within one month.

Other financial liabilities comprise mostly received collateral related to borrowed securities in the amount of TCZK 87,135 (2011: TCZK 19,484). These payables are due within three months.

Derivatives

The Group had outstanding derivative contracts with ČEZ, a. s. as at 31 December 2012.

Purchase EUR	Payment (TCZK)	Receipt (TEUR)	Settlement date	Nominal value as at 31 December 2012 (TCZK)	Fair value as at 31 December 2012 (TCZK)
FX swap – forward	14,565	574	25 January 2013	14,431	(133)
Negative fair value of derivatives					**(133)**

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.

35. MANAGEMENT OF MARKET RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

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

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

In order to cover these EUR currency needs and thus be able to meet its obligations to suppliers of electricity, the Group uses hedging derivatives in 2012 and 2011.

The Group uses only EUR as a foreign currency.

For internal risk management, the Group defined two scenarios of possible EUR currency trends in 2013. 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 2012, the financial loss decreases by TCZK 3,562 (2011: financial loss increases by TCZK 2,374) with respect to the translation of assets and liabilities denominated in EUR with a corresponding increase in profit before tax for 2012.

Appreciation scenario: If the exchange rate of EUR to CZK decreases by CZK 3.5 as at 31 December 2012, the financial loss increases by TCZK 4,156 (2011: financial loss decreases by TCZK 2,770) with respect to the translation of assets and liabilities denominated in EUR with a corresponding decrease in profit before tax for 2012.

The following table shows the currency position of the Group as at 31 December 2012:

(in CZK thousand)

	CZK	EUR	USD and other	Total
Assets				
Cash	127,141	1,877,497	14	2,004,652
Trade receivables (net)	64,837	67,893	–	132,730
Advance payments made and other current assets	214,053	7,794	–	221,847
Securities held for trading at fair value	43,319	–	–	43,319
Tangible fixed assets	22,527	–	–	22,527
Intangible fixed assets	242,924	–	–	242,924
Other non-current assets	71	–	–	71
Total assets	**714,872**	**1,953,184**	**14**	**2,668,070**
Liabilities				
Trade payables	11,648	125,142	545	137,335
Taxes and other payables	127,378	–	–	127,378
Liabilities from margin deposits	–	1,798,190	–	1,798,190
Current advances received	13	–	–	13
Liabilities from derivative transactions	133	–	–	133
Other current financial liabilities	28,726	–	–	28,726
Provisions	15,721	–	–	15,721
Deferred tax liability	8,204	–	–	8,204
Shareholders' equity	552,370	–	–	552,370
Total liabilities	**774,193**	**1,923,332**	**545**	**2,668,070**
Net currency position as at 31 December 2012	**(29,321)**	**29,852**	**(531)**	**–**

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

(in CZK thousand)

	CZK	EUR	USD and other	Total
Assets				
Cash	74,166	1,937,759	15	2,011,940
Trade receivables (net)	31,153	47,192	–	78,345
Advance payments made and other current assets	210,235	3,367	–	213,601
Receivables from derivative transactions	269	–	–	269
Securities held for trading at fair value	41,916	–	–	41,916
Securities held to maturity	–	–	–	–
Tangible fixed assets	30,125	–	–	30,125
Intangible fixed assets	297,910	–	–	297,910
Other non-current assets	78	–	–	78
Deferred tax asset	–	–	–	–
Total assets	**685,852**	**1,988,317**	**15**	**2,674,184**
Liabilities				
Trade payables	14,510	102,513	349	117,372
Taxes and other payables	65,685	–	–	65,685
Liabilities from margin deposits	27,522	1,906,221	–	1,993,743
Current advances received	1,013	–	–	1,013
Short-term bank loans	15,267	–	–	15,267
Provisions	10,365	–	–	10,365
Deferred tax liability	6,172	–	–	6,172
Shareholders' equity	524,567	–	–	524,567
Total liabilities	**665,101**	**2,008,734**	**349**	**2,674,184**
Net currency position as at 31 December 2011	**20,751**	**(20,417)**	**(334)**	**–**

Interest rate risk

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

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

Interest rate sensitivity analysis

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

Interest rate sensitivity as at 31 December 2012

(in CZK thousand)

	Up to 3 months	3 months to 1 year	1 to 5 years	Not specified	Total
Assets					
Cash	2,004,652	–	–	–	2,004,652
Trade receivables	–	–	–	132,730	132,730
Advance payments made and other current assets	–	–	–	221,847	221,847
Securities held for trading at fair value	43,319	–	–	–	43,319
Tangible fixed assets	–	–	–	22,527	22,527
Intangible fixed assets	–	–	–	242,924	242,924
Other non-current assets	–	–	–	71	71
Total assets	**2,047,971**	**–**	**–**	**620,099**	**2,668,070**
Liabilities					
Trade payables	–	–	–	137,335	137,335
Taxes and other payables	–	–	–	127,511	127,511
Liabilities from margin deposits	1,798,190	–	–	–	1,798,190
Current advances received	–	–	–	13	13
Other current financial liabilities	28,726	–	–	–	28,726
Provisions	–	–	–	15,721	15,721
Deferred tax liability	–	–	–	8,204	8,204
Shareholders' equity	–	–	–	552,370	552,370
Total liabilities and equity	**1,826,916**	**–**	**–**	**841,154**	**2,668,070**
Net interest risk as at 31 December 2012	**221,055**	**–**	**–**	**(221,055)**	**–**

Interest rate sensitivity as at 31 December 2011

(in CZK thousand)

	Up to 3 months	3 months to 1 year	1 to 5 years	Not specified	Total
Assets					
Cash	2,011,940	–	–	–	2,011,940
Trade receivables	–	–	–	78,345	78,345
Advance payments made and other current assets	–	–	–	213,870	213,870
Securities held for trading at fair value	41,916	–	–	–	41,916
Tangible fixed assets	–	–	–	30,125	30,125
Intangible fixed assets	–	–	–	297,910	297,910
Other non-current assets	–	–	–	78	78
Deferred tax asset	–	–	–	–	–
Total assets	**2,053,856**	**–**	**–**	**620,328**	**2,674,184**
Liabilities					
Trade payables	–	–	–	117,372	117,372
Taxes and other payables	–	–	–	65,685	65,685
Liabilities from margin deposit	1,933,743	–	–	–	1,933,743
Current advances received	–	–	–	1,013	1,013
Short-term bank loans	1,934	13,333	–	–	15,267
Provisions	–	–	–	10,365	10,365
Deferred tax liability	–	–	–	6,172	6,172
Shareholders' equity	–	–	–	524,567	524,567
Total liabilities and equity	**1,935,677**	**13,333**	**–**	**725,174**	**2,674,184**
Net interest risk as at 31 December 2011	**118,179**	**(13,333)**	**–**	**(104,846)**	**–**

36. FAIR VALUE LEVELS

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

(in CZK thousand)

Financial assets 2012	Level 1	Level 2	Level 3	Total
Securities held for trading				
Debt securities	–	43,319	–	43,319
Other current assets				
Positive fair value of derivatives	–	(133)	–	(133)

(in CZK thousand)

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

In 2012 or 2011 there was no movement between the levels.

37. CAPITAL MANAGEMENT

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

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

The primary business objective of the Group is to ensure smooth execution of exchange trades and their settlement. For the purposes of effective settlement and reducing credit risk (settlement risk), the The Group accepts financial contributions from market participants to the Collateral Fund, Margin fund, Clearing fund and Margin Deposits of the commodity exchange and fees for services provided.

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

The planned dividend for 2012 for the Group shareholders amounts to CZK 521 per share (2011: CZK 421 per share).

38. RELATED PARTIES

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

CEESEG Aktiengesellschaft owns as at 31 December 2012:
- 100% share of Wiener Börse AG;
- 92.74% share of Burza cenných papírů Praha, a.s.;
- 99.85% share of Ljubljanska borza, d.d., Ljubljana, and
- 50.45% share of Budapest Stock Exchange.

The Group granted a loan to CEESEG Aktiengesellschaft in the amount of TCZK 75,000 (2011: TCZK 0) due as at 20 December 2013 with the interest 1Y PRIBOR + 0.75% p. a. which is recognized in the interest revenues in the amount of TCZK 41 (2011: TCZK 0).

The Company recognizes the following transactions with Wiener Börse AG:

(in CZK thousand)

Subject	2012	2011
Revenues	**24,119**	**1,791**
Agreement on information sale cooperation	24,006	1,611
Agreement on PX index trading	113	180
Services	**1,609**	**–**
Agreement on technical trading system Xetra®	1,609	–
Trade receivables	**113**	**–**
Agreement on PX index trading	113	–
Other current assets	**24,006**	**1,791**
Agreement on information sale cooperation	24,006	1,611
Agreement on PX index trading	–	180
Trade payables	**1,528**	**–**
Agreement on technical trading system Xetra®	1,528	–

39. CASH AND CASH EQUIVALENTS

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

(in CZK thousand)

	2012	2011
Cash and balances with banks (Note 6.)	2,004,652	2,011,940
Total	**2,004,652**	**2,011,940**

40. SUBSEQUENT EVENTS

In the Group there have been no events since the balance sheet date that would have a material impact on the financial statements as at 31 December 2012.

Subsequent events with an impact on the future development of the Group:

- Prague Energy Exchange and Central European Gas Hub (CEGH), with its registered office in Austria, entered into an agreement on co-operation and opening of the gas trading market in the Czech Republic in 2013. Prague Energy Exchange will operate CEGH by offering gas derivative products with the delivery to the Czech market.
- Prague Energy Exchange and the company European Commodity Clearing (ECC) entered into an agreement on cooperation based on which ECC plans to start operating as a central counterparty of Prague Energy Exchange from the second half of 2013.

Prague, 15 March 2013

Petr Koblic
Chairman of the Exchange Chamber

David Kučera
Member of the Exchange Chamber

KPMG Česká republika Audit, s.r.o.
Pobřežní 648/1a
186 00 Praha 8
Česká republika

Telephone +420 222 123 111
Fax +420 222 123 100
Internet www.kpmg.cz

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

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

Financial statements

We have audited the accompanying financial statements of Burza cenných papírů Praha, a.s. (the "Company") for the year ended 31 December 2012 disclosed on pages 58 – 87 (the "financial statements") and issued the opinion dated 15 March 2013 and disclosed on pages 56 – 57. We have also audited consolidated financial statements of the Company for the year ended 31 December 2012 disclosed on pages 90 – 131 and issued the opinion dated 15 March 2013 and disclosed on pages 88 – 89.

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 2012. 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 2012 contains material factual misstatements.

Annual report

We have audited the consistency of the annual report disclosed on pages 26 – 135 with the audited financial statements. This annual report is the responsibility of the Company's statutory body. Our responsibility is to express our opinion on the consistency of the annual report with the audited financial statements based on our audit.

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

KPMG Česká republika Audit, s.r.o., a Czech limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Obchodní rejstřík vedený Městským soudem v Praze oddíl C, vložka 24185.

IČ 49619187
DIČ CZ699001996

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

Prague
19 April 2013

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

Pavel Závitkovský
Partner
Licence number 69

Contact

Prague Stock Exchange
Rybná 14
110 05 Praha 1
Czech Republic

T +420 221 831 111
F +420 221 833 040
info@pse.cz
www.pse.cz

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We have prepared this report with the greatest possible care and have checked the data. Nonetheless, rounding, typographic or printing errors cannot be ruled out. Differences may occur due to the automated calculation of the sums of rounded amounts and percentages.

We hereby explicitly point out that the data and calculations given in this report are historic values and do not permit any conclusions to be drawn regarding future performance or value stability. No claim is made as to completeness. The information given in this publication does not constitute any investment advice or investment recommendation by Wiener Börse AG. The macroeconomic outlooks have been prepared by Erste Group Bank and Raiffeisen Bank International. Their reports are marketing publications and have not been prepared in compliance with any legal provisions intended to promote the independence of financial analyses; neither is this report subject to the ban on trading subsequent to the release of financial analyses.

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Contact
Prague Stock Exchange
Rybná 14
110 05 Praha 1
Czech Republic

T +420 221 831 111
F +420 221 833 040
info@pse.cz
www.pse.cz

Contact
Budapest Stock Exchange
Pf. 24
1364 Budapest
Hungary

T +36 1 429 6700
F +36 1 429 6800
info@bse.hu
www.bse.hu

Contact
CEE Stock Exchange Group
c/o Wiener Börse AG
Wallnerstrasse 8
1014 Vienna
Austria

T +43 1 53 165 0
F +43 1 53 297 40
info@ceeseg.com
www.ceeseg.com

Contact
Vienna Stock Exchange
Wallnerstrasse 8
1014 Vienna
Austria

T +43 1 53 165 0
F +43 1 53 297 40
info@wienerborse.at
www.wienerborse.at

Contact
Ljubljana Stock Exchange
Slovenska 56
1000 Ljubljana
Slovenia

T +386 1 471 0211
F +386 1 471 0213
info@ljse.si
www.ljse.si

Prague Stock Exchange, Rybná 14, 110 05 Praha 1, Czech Republic
T +420 221 831 111, F +420 221 833 040, info@pse.cz, www.pse.cz