



Výroční zpráva | Annual Report

2004

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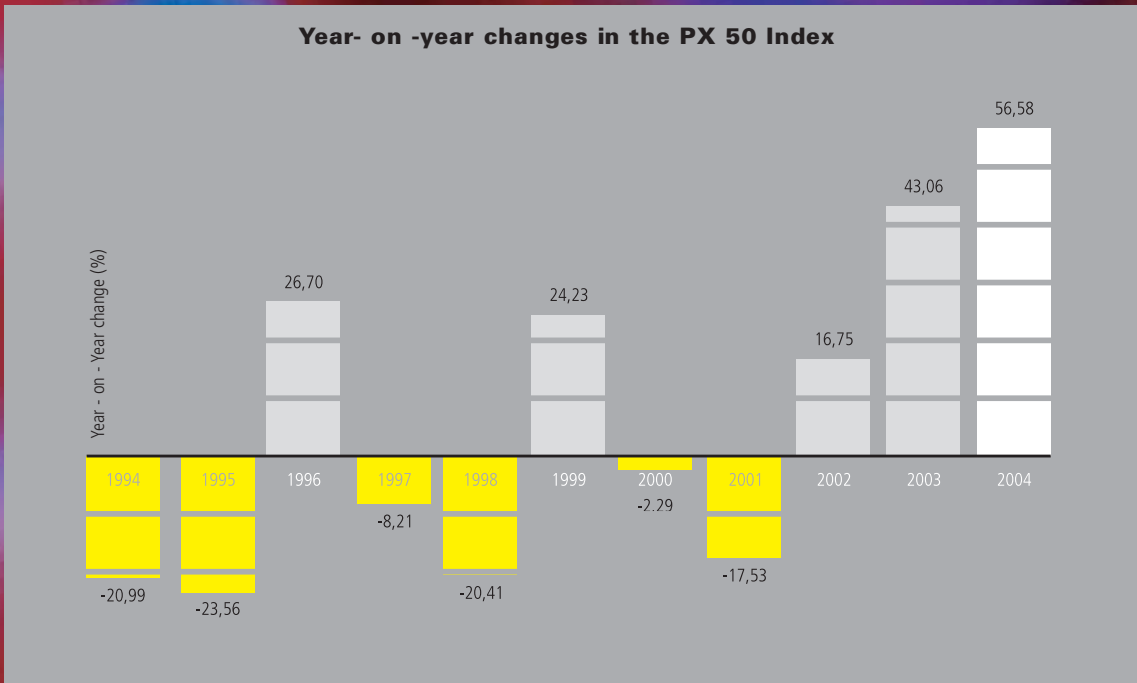
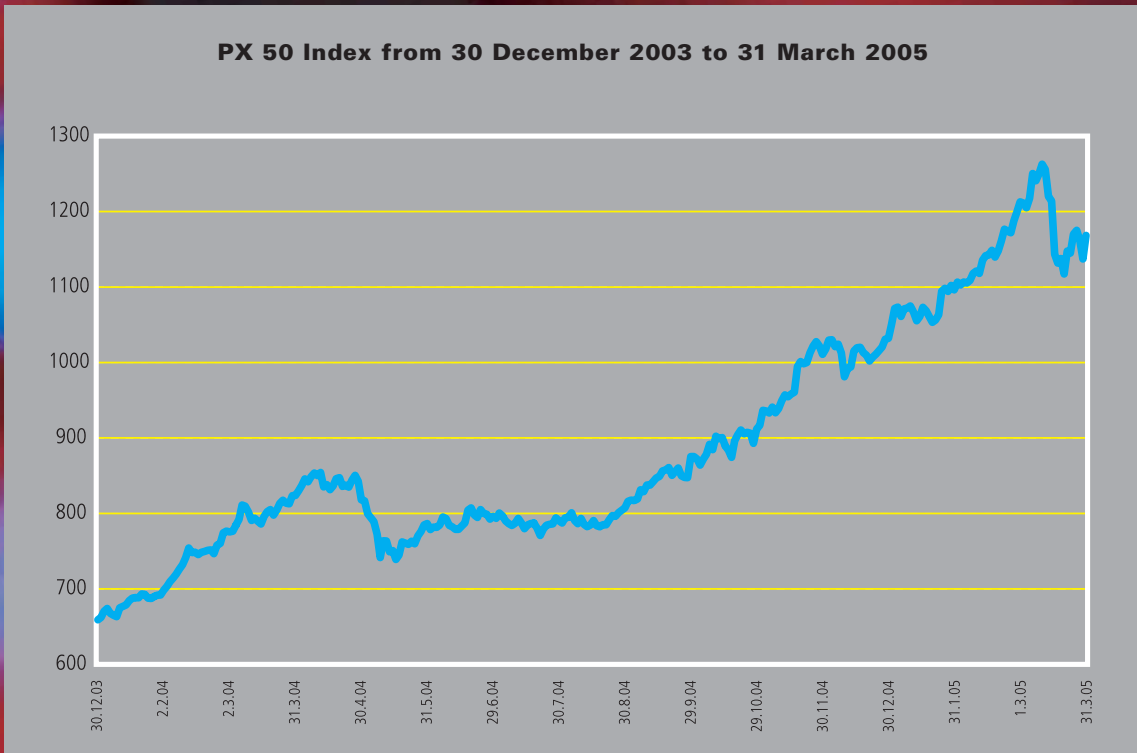
Company Profile

BURZA CENNÝCH PAPÍRŮ PRAHA, A.S. (THE PRAGUE STOCK EXCHANGE, THE EXCHANGE, OR THE PSE) WAS FOUNDED IN NOVEMBER 1992, AND BECAME THE CZECH REPUBLIC'S MAIN SECURITIES MARKET ORGANIZER. THE PSE IS BASED ON THE MEMBERSHIP PRINCIPLE, WHICH MEANS THAT ALL TRADES CONCLUDED ON THE EXCHANGE ARE REALISED THROUGH ITS MEMBERS. THE EXCHANGE IS A POWERFUL TOOL FOR STREAMLINING THE FLOW OF FREE FINANCIAL MEANS ON THE MARKET - AND AS THE MARKET REGULATOR IT ENABLES THE EXCESS CAPITAL TO GET WHERE IT IS MOST REQUIRED - FROM THE ECONOMIC POINT OF VIEW.

THE EXCHANGE'S TRADING RESULTS ARE PUBLISHED ON THE INTERNET, THROUGH INFORMATION AGENCIES AND IN THE DAILY PRESS. THE PSE'S INTERNET PAGES AT WWW.PSE.CZ REMAIN THE MOST EXTENSIVE AND UP-TO-DATE SOURCE OF INFORMATION FROM THE EXCHANGE. THEY GIVE THE GENERAL INVESTING PUBLIC ACCESS TO THE ACTUAL VALUE OF THE MAIN EXCHANGE INDICES, CONTINUOUS TRADING RESULTS, STATISTICAL SUMMARIES, DETAILED INFORMATION ABOUT ISSUERS AND ISSUES AND A GREAT DEAL OF OTHER INFORMATION ABOUT THE CAPITAL MARKET.

FOR THE PRAGUE STOCK EXCHANGE, 2004 WAS A YEAR OF RECORDS. THE MAIN PX 50 INDEX REACHED THE HIGHEST LEVEL IN ITS HISTORY, THE MAXIMAL MONTHLY AND YEARLY TRADING VALUES ON THE SHARE AND UNIT MARKETS AND MARKET CAPITALIZATION INCREASED YEAR-ON-YEAR BY A RESPECTABLE 51.4%.

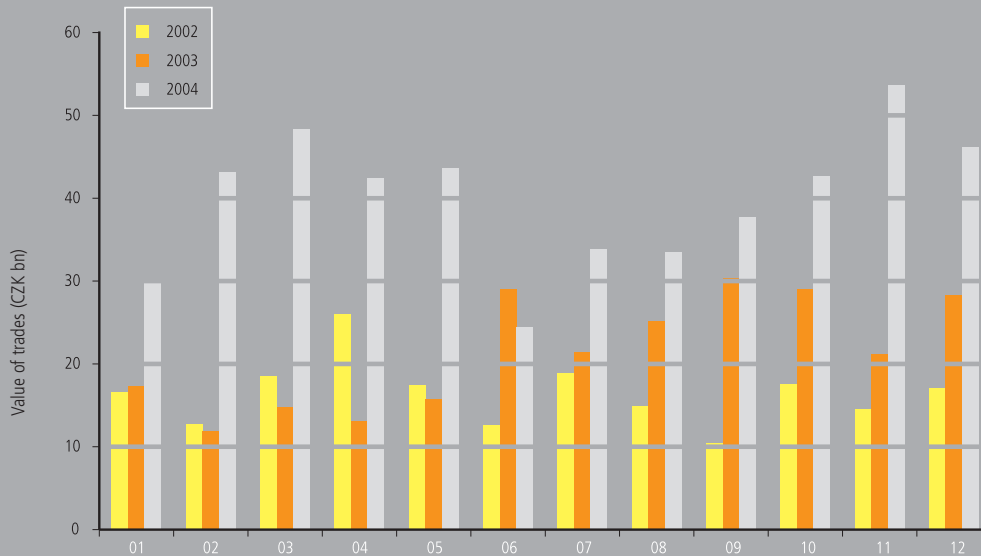
Selected Indicators



Note: Writing of numbers does not correspond with English method

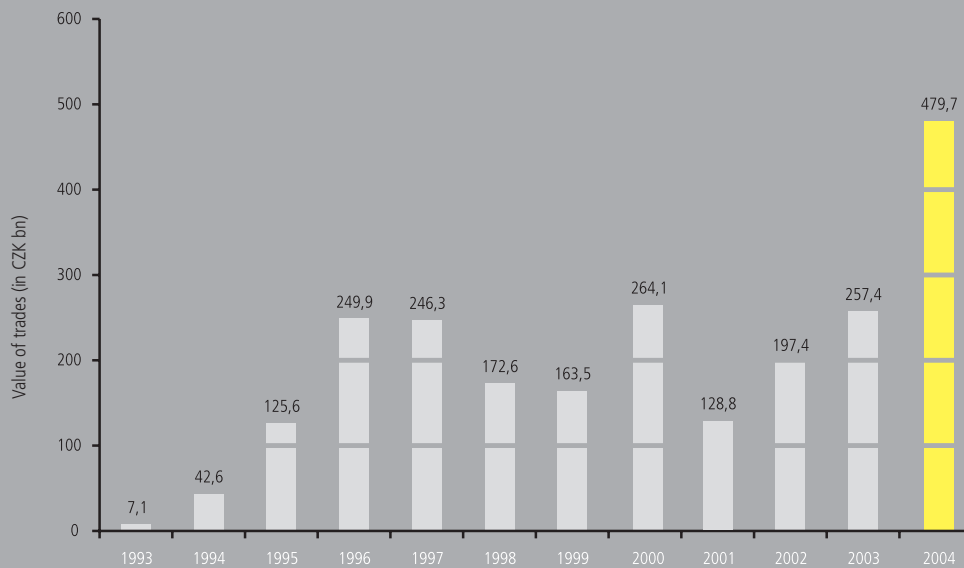
PX 50 Index closed the year 2004 at 1032.0 points, the highest level in that year, and against the previous year rose by the record 56.6%. On 19 November 2004, it exceeded its starting value of 1000 points set on 5 April 1994 for the first time.

Monthly value of trades in shares and units from 2002 - 2004



In the 4th quarter of 2004, the maximum quarterly value of CZK 142.6 billion was recorded on the share and unit market. In November, the maximum monthly trading value totalled CZK 53.6 billion and exceeded - for the first time in the PSE's history - the CZK 50 billion level.

Yearly value of trades on the share and unit markets



Total value of trades on the share and unit markets reached the record result of 479.7 billion and by 81,6% exceeded the level achieved in the so far most successful year 2000 (CZK 264.1 billion).

Note: Writing of numbers does not correspond with English method

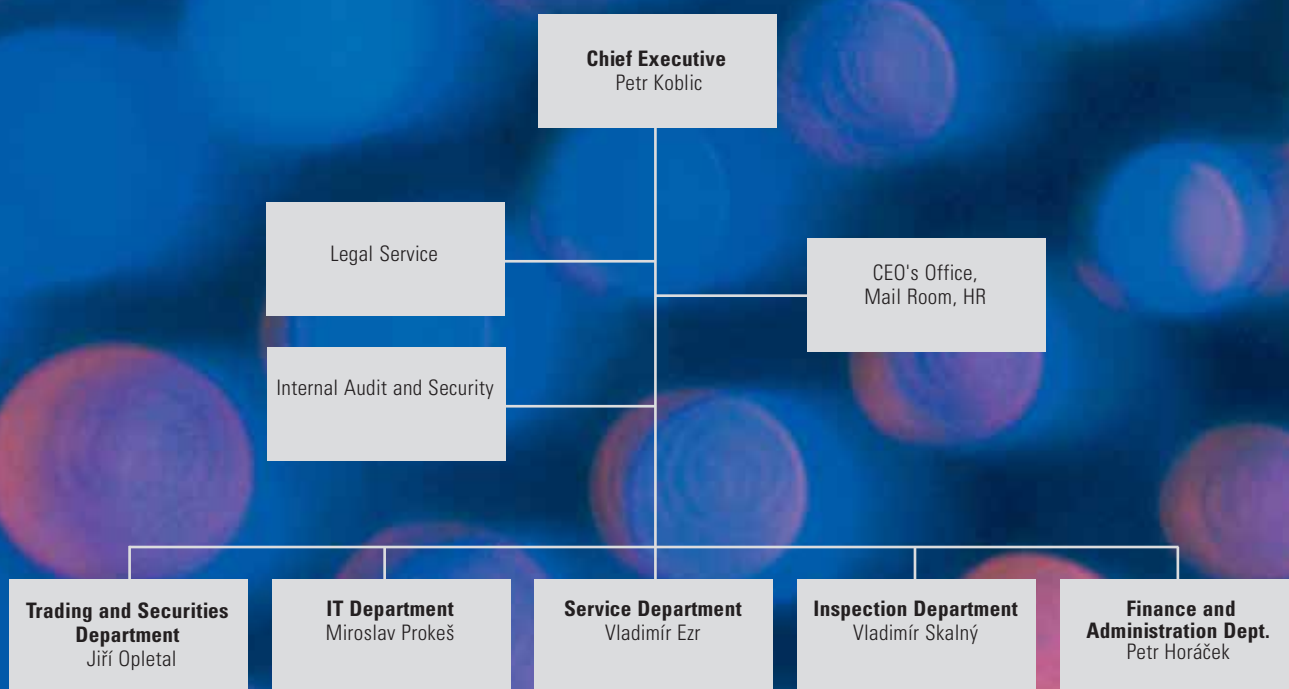
KEY ANNUAL DATA FOR THE PERIOD 1993 - 2004

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
No. of trading sessions	252	251	250	250	249	254	251	250	249	234	161	41
Market capitalization (CZK bn)	1 172,1	1 367,4	1 793,1	1 987,2	1 222,8	1 187,5	860,2	679,5	393,2	195,4	62,0	9,0
- shares+units (end of year)												
Of this: Shares+units	479,7	257,4	197,4	128,8	264,1	163,5	172,6	246,3	249,9	125,6	42,6	7,1
Bonds	692,5	1 110,1	1 595,7	1 858,4	958,7	1 024,0	687,6	433,2	143,3	69,8	19,4	1,9
Average total daily value (CZK m)	4 651,4	5 448,4	7 172,3	7 948,7	4 911,0	4 675,1	3 427,1	2 718,1	1 579,1	835,1	385,3	220,0
Of this: Shares+units	1 903,4	1 025,7	789,6	515,2	1 060,8	643,5	687,6	985,2	1 003,8	536,9	264,6	173,9
Bonds	2 747,9	4 422,7	6 382,7	7 433,5	3 850,2	4 031,6	2 739,4	1 732,9	575,3	298,1	120,7	46,1
Percentage of shares+units in total value												
of trades	40,9	18,8	11,0	6,5	21,6	13,8	20,1	36,2	63,6	64,3	68,7	79,0
No. of share and unit issues (end of year)	55	65	79	102	151	195	304	320	1 670	1 716	1 028	971
No. of bond issues - end of year	79	81	74	84	94	95	98	92	80	48	27	11
Market capitalization (CZK bn) -												
shares+units (end of year)	975,8	644,5	478,0	340,3	442,9	479,6	416,2	495,7	539,2	478,6	353,1	x
PX 50 Index (end of year)	1 032,0	659,1	460,7	394,6	478,5	489,7	394,2	495,3	539,6	425,9	557,2	705,2
PX-D Index (end of year)	2 551,1	1 642,7	1 166,4	1 065,6	1 366,0	1 296,7	996,4	1 235,0	x	x	x	x

Note: Writing of numbers does not correspond with English method

Company Structure

a s a t 3 1 D e c e m b e r 2 0 0 4



Foreword



of the Chief Executive

DEAR SHAREHOLDERS,

I HAVE THE HONOUR TO LOOK BACK AT THE MOST SUCCESSFUL YEAR IN THE 12TH YEAR'S HISTORY OF THE PRAGUE STOCK EXCHANGE. THIS PRIVILEGE, HOWEVER, IS MINE ONLY IN PART, BECAUSE I SHARED THE MANAGEMENT OF THE EXCHANGE WITH MY PREDECESSORS, PAVEL HOLLMANN AND MY CURRENT DEPUTY JIŘÍ OPLETAL. IT CAN BE SAID THAT EACH OF US HEADED THE EXCHANGE FOR ONE THIRD OF THE YEAR 2004. I WOULD LIKE TO TAKE THIS OPPORTUNITY AND THANK NAMELY AND PARTICULARLY TO PAVEL FOR THE CONTRIBUTION HE DELIVERED IN THE LAST YEARS AND FOR HAVING PREPARED THE EXCHANGE FOR THE PERIOD OF THE PRESENT FAST GROWTH. IT IS CORRECT THAT HE, AS A PERSON WITH SUCH DEEP KNOWLEDGE OF THE CZECH CAPITAL MARKET, CONTINUES HIS ENGAGEMENT WITH THE INSTITUTION WHICH, MEASURED BY ITS IMPLICATIONS, REPRESENTS, PERHAPS, EVEN MORE ESSENTIAL PART OF THE MARKET. I BELIEVE THAT, WE ARE JOINTLY, HEADING TO A FURTHER ADVANCE OF THE CZECH CAPITALMARKET, THAT IS TO THE STAGE IT SHOULD HAVE ALREADY REACHED A LONG TIME AGO AND AT WHICH IT WOULD PLAY THE ROLE THAT WOULD PRESENT A BACKBONE SUPPORTING THE FINANCING OF DEVELOPMENT OF THE CZECH COMPANIES AND A SAFE PLACE FOR CAPITAL INVESTMENTS.

THE ESSENTIAL REGULATORY AND TECHNOLOGICAL PROJECT OVERLAPPING FROM YEAR 2004 TO 2005, AND QUITE POSSIBLE TO YEAR 2006, TOO, IS DEFINITELY THE PROJECT TITLED "CENTRAL DEPOSITORY". THIS PROJECT PRESENTS A STANDARDISING STEP FOR THE WHOLE CZECH MARKET. IT IS A STEP FROM AN UNSUCCESSFUL ATTEMPT TO MAINTAIN RECORDS ON SECURITIES READING TO THE FINAL HOLDER; IN ITS EXTENT, THIS STEP WAS A UNIQUE ONE WORLD-WIDE. UNFORTUNATELY, COSTS OF THIS EXPERIMENT WERE AND CONTINUE TO BE CONSIDERABLE AND THE CZECH MARKET FOR SETTLEMENT AND CUSTODY SERVICES WILL STILL NEED A COUPLE OF YEARS TO GET RECOVERED BEFORE THE STANDARD EUROPEAN ENVIRONMENT IS ESTABLISHED IN OUR COUNTRY.

I DO NOT WISH TO GET THE READERS FLOODED WITH THE TRADE VALUE FIGURES WITH WHICH THE PAGES BELOW ARE LOADED. MOREOVER, IT IS CLEAR AS EARLY AS NOW THAT, FROM THIS POINT OF VIEW, THE YEAR 2005 IS GOING TO BE EVEN MORE SUCCESSFUL. I WOULD LIKE TO ONLY MENTION THE MOST ESSENTIAL EVENT OF THE YEAR 2004 AS IT LOOKS FROM MY POINT OF VIEW. THE EXCHANGE WAS FINALLY SUCCESSFUL IN INTRODUCING THE FIRST IPO, THE FIRST AFTER 70 YEARS AS I SOMETIMES SAY WITH EXAGGERATION, BECAUSE THE MASSIVE SPATE OF SECURITIES FROM THE FIRST AND SECOND WAVES OF THE COUPON PRIVATISATION CAN HARDLY BE RECOGNISED AS "INTRODUCTION TO THE MARKET". IT IS EXACTLY THE BIRTH OF THE ZENTIVA SHARES THAT HAS BROUGHT THE NEEDED DIAMETRICAL CHANGE IN THE THINKING OF ALL PARTICIPANTS OF THE MARKET. THOSE NOT INTERESTED IN THE CAPITAL MARKET SO MUCH, CANNOT FULLY UNDERSTAND HOW A MAMMOTH BARRIER OF PREJUDICES HAS BEEN TAKEN DOWN BY THIS ISSUE. AT THAT TIME, "BEFORE THE ZENTIVA", SELLING SHARES ON THE MARKET, EITHER AS A CAPITAL INCREASE OR SALE OF A HOLDING, WAS SOMEWHERE IN THE SPHERE OF THEORY FOR INVESTING BANKERS AND COMPANY HOLDERS. I HEARD OFTEN THE ARGUMENTS THAT IT HAD NOT BEEN TESTED (PROVED), IT WOULD TAKE MANY MONTHS, THE LEGAL RISKS COULD NOT BE TAKEN CARE OF AND, LAST BUT NOT LEAST, IT MADE NO SENSE SINCE THERE WAS INSUFFICIENT NUMBER OF DOMESTIC INVESTORS. NOTHING OF THAT CAN BE SAID TODAY AND IT WOULD ONLY DEPEND ON OUR MEMBERS, THEIR CORPORATE FINANCE DEPARTMENTS AND ON THEIR CLIENTS - COMPANY HOLDERS, RESPECTIVELY, WHETHER THEY WOULD TAKE THE GRATE ADVANTAGE OF THAT STANDARD METHOD OF SELLING SHARES. IN THIS PLACE, I CANNOT FORGET TO MENTION HOW WE APPRECIATE THE FIRST-CLASS COOPERATION WITH THE SECURITIES COMMISSION, NAMELY IN THE FIELD OF NEW ISSUES. SPEAKING FOR US, THE LONG-STANDING PARTICIPANTS OF THE MARKET, I MUST SAY, AFTER ALL!

DEAR SHAREHOLDERS, I WISH YOU A LOT OF SUCCESS!



Petr Kobic
Chief Executive

PSE's Activities

in 2004



Trading and Securities

THE TRADING AND SECURITIES DEPARTMENT CARRIES OUT ITS ACTIVITIES AT TWO LEVELS. ONE OF THEM IS TO PROVIDE A RELIABLE AND TRANSPARENT ENVIRONMENT FOR EXCHANGE MEMBERS, SECURITIES ISSUERS AND INVESTORS, AND THE OTHER TO SUPERVISE REAL-TIME TRADING. WITHIN THE FRAMEWORK OF OUR EVERYDAY TASKS WE ACTIVELY PARTICIPATE IN THE PREPARATION OF LAWS GOVERNING CAPITAL MARKET CONDITIONS. WE TRANSLATE THE ENSUING CHANGES INTO DRAFT EXCHANGE RULES, WHICH ARE THEN DISCUSSED BY THE EXCHANGE BODIES.

AS PART OF OUR TRADING SUPERVISION DUTIES WE MONITOR INDIVIDUAL TRADING SEGMENTS IN REAL TIME, EVALUATE ABNORMAL SITUATIONS AND CHECK COMPLIANCE WITH THE SPECIFIED TRADING PROCEDURES AND RULES. IN PRACTICE WE MONITOR THE EFFICIENCY OF EXCHANGE RULES IN RELATION TO EXCHANGE TRADING CONTROL AND PROPOSE POSSIBLE MODIFICATIONS. IN COOPERATION WITH THE IT DEPARTMENT WE PARTICIPATE IN THE TESTING OF SOFTWARE CHANGES IN THE AUTOMATED TRADING SYSTEM BEFORE THEIR PRACTICAL IMPLEMENTATION.



Jiří Opletal

1st CEO Deputy and Director of Trading and Securities Department

EXCHANGE MARKET STRUCTURE

Securities traded on the Exchange are listed in three official market segments, namely on the:

- Free Market
- Secondary Market and
- Main Market

This structure provides market participants with fast orientation regarding issue parameters and availability of issuer information because the requirements on issue parameters and disclosure duties of issuers are different for individual segments. The lowest demands are put on issuers whose securities are traded on the Exchange's official Free Market. The requirements are based on generally binding conditions of admission of securities to trading on the official market as specified in the Act on Capital Market Undertakings, hereafter referred to as Capital Market Undertaking Act.

The Main and the Secondary Markets are considered prestigious markets. They are intended for issuers interested in communicating with investors and willing to comply with the stricter requirements of the respective Exchange Regulations.

Disclosure duties of issuers

Official Free Market

In compliance with the Exchange Regulations the Exchange requires an issuer whose issue is registered on the official Free Market to fulfil information disclosure duties within the scope laid down in the Capital Market Undertaking Act. This involves in particular the submission of an annual report, including financial statements, half-year reports, information about the convened general meetings and dividend payments, proposed changes in the issuer's memorandum of association, articles of association or founding deeds and any other facts relating to the issuer which can cause a major change in the price of the security issued by it.

Main and Secondary Markets

The Exchange Regulations impose other duties beyond the framework of the Capital Market Undertaking Act on issuers whose securities are registered on the PSE Main and Secondary Markets. The most important duties include the submission of preliminary business results and the distribution of quarterly business results and the minutes of general meetings. All information, except for original or notarised copies of documents, is sent to the PSE electronically. After the information on securities issues and issuers has been checked, it is distributed in real time to member companies and news agencies.

Measures to comply with the Exchange Regulations

To provide for an adequate level and transparency of Exchange markets and compliance with Exchange Rules as well as generally binding regulations, the Exchange uses its educational activities as well as a set of specific measures including:

- Reprimand
- Publication of the fact that a disclosure duty has been breached
- Financial penalty up to CZK 500,000
- Suspension of security trading
- Withdrawal of the security from trading

Thanks to the continuous intensive cooperation with issuers it was not necessary to take any such measures in 2004.

CHANGES IN THE EXCHANGE REGULATIONS

The changes in the Exchange Regulations involving admission of a security to Exchange trading made in 2004 reflect the newly adopted laws regulating the capital market - the Capital Market Undertaking Act, the Bond Act and the Accounting Act. The changes mostly involved:

- Change in terminology, i.e. definition of new terms (official market, listed security, etc.)

- Extension of the term for submitting the half-year report on the official Free Market to 2 months after the end of the half-year
- Admission of the prospectus of foreign issuers
- The provision on sanctions was replaced with the option of imposing "measures"

Number of securities

15 securities issues were admitted to the Exchange markets in 2004. They all involved bond debentures, i.e. mortgage debenture bonds, bank and corporate bonds of renowned companies and state bonds. The admission of an issue of ZENTIVA shares to the prestigious Main Market was an important highlight. 27 issues were withdrawn last year, mostly because the bond issues were duly paid-off. In addition, several share issues were excluded based on their issuers' requests to cancel their registration on the public markets.

Bond programmes

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

Trading

In 2004 Exchange trading was performed during 252 trading sessions and did not undergo any major system or legislative changes compared to the previous year. The PSE members were not limited by any technical problems and could smoothly carry out their trades in the automated trading system.

The automated trading system enabled the PSE members to conclude trades in:

- SPAD
- automated trades: - auction regime
- continual regime
- block trades

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

trading groups. The reduction of trading fees by 80% between 1 October 2004 and 31 December 2004 was one of the Exchange's major activities, intended to promote the liquidity of the Exchange market at the end of the year.

Exchange indices

In 2004 the base of the PX 50, the official Exchange index, included 16 issues. As a result of the regular update of the base, two issues with unsatisfactory liquidity were exchanged for the second half of 2004 in line with the Principles of the PX 50 Index Base Update. At the beginning of 2005 the number of base issues was reduced to 14. As of 7 February 2005 ORCO was included in the base as part of a special update operation. At the end of Q1 2005 the base included 15 issues. A reduced number of securities was used in the calculation of the index for the issues of ERSTE BANK and ČEZ because of the reduction of the issue's share in the market capitalisation of the base as at the reference date to 20%.

On 1 July 2004 a ZENTIVA issue was included in the PX-D index base which is formed by issues traded in SPAD; on 23 September 2004 a ČESKÉ RADIOKOMUNIKACE issue was excluded from this index base. An ORCO issue was included in the PX-D index base on 7 February 2005. At the end of Q1 2005 the PX-D index base contained eight issues: ČESKÝ TELECOM, ČEZ, ERSTE BANK, KOMERČNÍ BANKA, ORCO, PHILIP MORRIS ČR, UNIPETROL and ZENTIVA.

Due to an insufficient number of base issues, the BI11 sector index - Electrical Engineering, Electronics - was cancelled as at 23 September 2004 and the BI10 sector index - Mechanical Engineering - was cancelled as at 30 December 2004. The calculation of the BI13 index - Transportation and Machinery - was finished as at 14 February 2005. At the end of Q1 2005 the Exchange determined the values of 7 sector indices. The PX-GLOB index base comprised 54 issues.

Evaluation of 2004 trading results

The value of trades totalled CZK 1,172.1 billion, with a daily average of CZK 4.651 billion, i.e. it declined by 14.3% year on year. While the annual value of trades on the bond market was CZK 692.5 billion, i.e. a 37.6% decline year on year, the value of trades on the share market increased by a dramatic 86.3% to CZK 479.7 billion. The percentage of shares in the total value of trades therefore increased from 18.8% in 2003 to 40.9% in 2004.

Share and unit market

The total value of trades reached a record CZK 479.7 billion and exceeded the value generated in 2000 (CZK 264.1 billion), which was the most successful year until now, by 81.6%. In Q4 2004 the maximum quarterly value of CZK 142.6 billion was recorded. In November the monthly value of trades was higher than CZK 50 billion for the first time in history, reaching CZK 53.6 billion. The SPAD trading segment accounted for 63.4% of the total annual value of trades; block trades accounted for 34.9% and auction and continual regimes for 1.7%.

The share market also recorded a positive price development. The cross-sectional indices showed record-high year-on-year increases. In 2004 the value of the official PX 50 index rose by 56.6%, of the PX-D index by 55.3% and of the PX-GLOB index by 50.9%. The PX 50 index, created on 5 April 1994 with the initial value of 1,000 points, closed 2004 at the historical maximum of 1,032.0 points. The reason for the rise was, in particular, the higher prices of issues in the main capitalised sectors. The Power Generation index (BI12) rose by 82.9%, especially thanks to the ČEZ issue whose price increased by 133.8%. The Financial index (BI15) rose by 46.1% and the value of the Transport and Communications index (BI13) increased by 26.8%.

The top eight most liquid issues are issues traded in the SPAD segment in 2004. KOMERČNÍ BANKA was the most traded share title again, just as in 2003, as shown in the table on the page 57.

Compared with the previous year, market capitalisation rose by 51.4%. At the end of 2004, it totalled CZK 975.8 billion including market capitalisation of the foreign issues of ERSTE BANK and ZENTIVA (totalling CZK 315.5 billion). The number of issues dropped from 65 (at 30 December 2003) to 55 (at 30 December 2004).

Share market in Q1 2005

The first quarter of 2005 was very successful for the share market. The value of trades totalled a record amount of CZK 262.8 billion, which constitutes a year-on-year increase of 116.3%. In January the monthly value of trades exceeded CZK 60 billion for the first time, in February it exceeded CZK 70 billion. The March value of trades reached a new record maximum of CZK 122.7 billion. The cross-sectional indices markedly improved in the first quarter of 2005. The official PX 50 index rose by 13.22%, the PX-D index by 10.40% and the PX-GLOB index by 12.14%.

Bond market

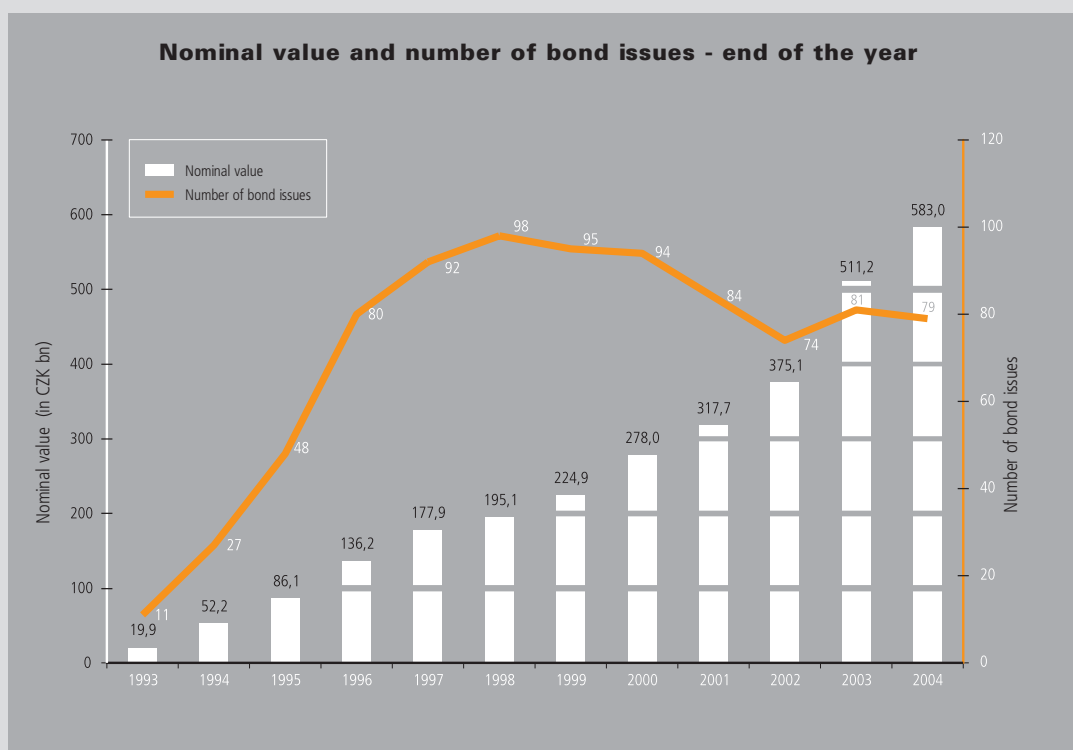
The value of trades in 2004 totalled CZK 692.5 billion. Compared with 2003, it dropped by 37.6%. As in the previous year, the majority of trades were in state bonds (85.0 %). Corporate bonds accounted for 6.5%, bank bonds for 5.1%, mortgage debenture bonds for 3.2% and municipal bonds for 0.2% of the total yearly value of bond trades. The nominal value of the traded bonds reached CZK 583.0 billion at the end of the year.

Number of securities issues on Exchange markets as at 31 December 2004

	Shares	Bonds
Main Market	6	24
Secondary Market	29	20
Free Market	20	35

In 2003, the Exchange Listings Committee approved the following bond programmes:

Issuer	Total approved value of the bond programme	Duration
ŽS Brno, a.s.	CZK 3 billion	5 years
Wüstenrot hypoteční banka a.s.	CZK 6 billion	5 years
Czech Consolidation Agency	CZK 20 billion	8 years
Raiffeisenbank, a.s	CZK 3 billion	10 years



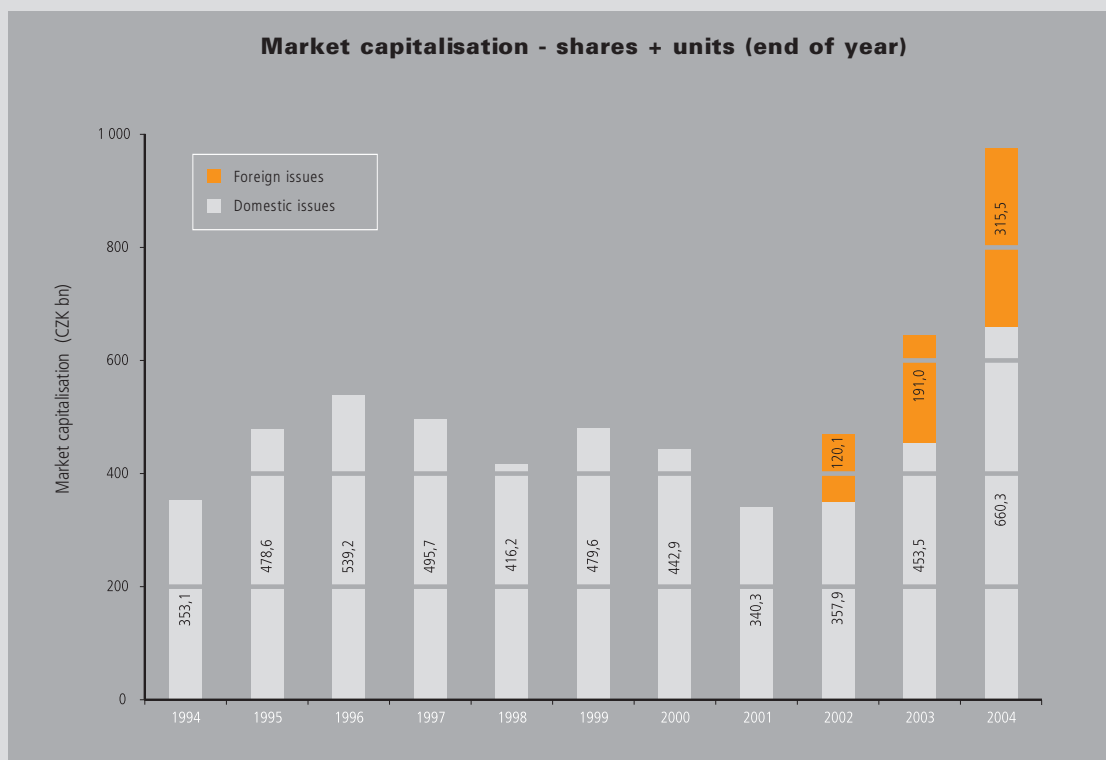
Ten share issues with the highest trading values in 2004

#	Issue title	Value of trades (CZK mil)	Percentage (%)	Yearly change in price (%)
1	KOMERČNÍ BANKA	149 252,8	31,12	35,32
2	ČESKÝ TELECOM	121 040,2	25,23	26,74
3	ČEZ	108 047,3	22,53	133,84
4	ERSTE BANK	31 141,9	6,49	48,75
5	PHILIP MORRIS ČR	29 238,1	6,10	6,66
6	ZENTIVA	17 023,4	3,55	50,17 ¹⁾
7	UNIPETROL	14 064,3	2,93	47,80
8	ČESKÉ RADIOKOMUNIKACE	9 216,3	1,92	28,70
9	ISPAT NOVÁ HUŤ	274,8	0,06	²⁾
10	ČESKÁ POJIŠŤOVNA	112,4	0,02	77,08

¹⁾ Comparison with the price of 28 June 2004

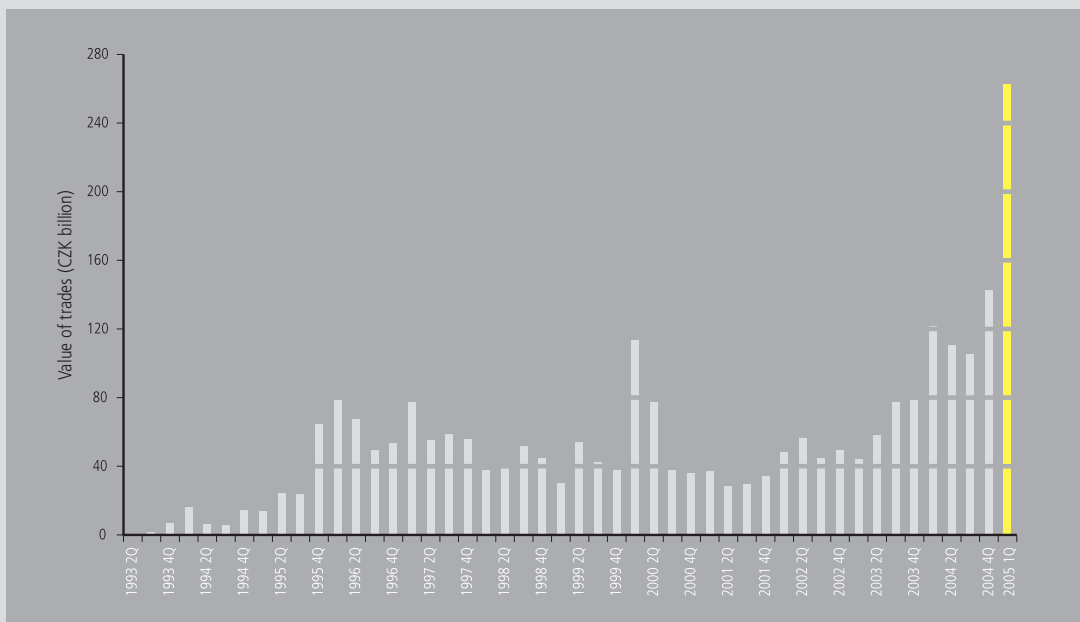
²⁾ As at 31 May 2004, the issue was excluded from trading at the PSE.

Note: Writing of numbers does not correspond with English method



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Quarterly values of trades on the share and unit market



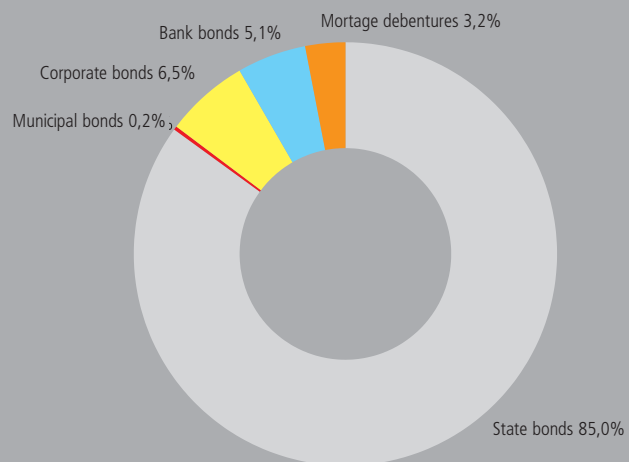
Value of trades in 2004 by type of the market and security

		Bonds		Shares		Total	
		Value (CZK bn)	Number (thousand pcs)	Value (CZK bn)	Number (thousand pcs)	Value (CZK bn)	Number (thousand pcs)
Main Market	ST	0,003	0	145,400	363 423	145,403	363 424
	OT	610,588	58 694	295,170	792 008	905,758	850 702
	Total	610,591	58 695	440,570	1 155 431	1 051,161	1 214 125
Secondary Market	ST	0,001	0	3,024	6 356	3,025	6 356
	OT	43,696	1 053	6,738	15 368	50,434	16 420
	Total	43,697	1 053	9,762	21 723	53,459	22 776
Free Market	ST	0,041	4	12,028	885	12,069	889
	OT	38,151	2 365	17,301	1 068	55,452	3 433
	Total	38,192	2 369	29,329	1 953	67,521	4 322
Total	ST	0,046	4	160,452	370 664	160,498	370 668
	OT	692,434	62 112	319,209	808 443	1 011,643	870 555
	Total	692,480	62 116	479,662	1 179 107	1 172,141	1 241 223

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

Note: Writing of numbers does not correspond with English method

Value of trades on the bond market in 2004



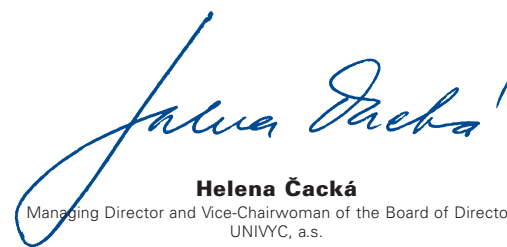
Note: Writing of numbers does not correspond with English method



Settlement



THE SETTLEMENT OF EXCHANGE TRADES IS WITHIN THE COMPETENCE OF THE PSE'S SUBSIDIARY UNIVYC, A.S. (UNIVYC), FOUNDED IN 1996 BY TRANSFORMATION OF BURZOVNÍ REGISTR CENNÝCH PAPÍRŮ, S.R.O. (SECURITIES EXCHANGE REGISTER). IN ADDITION TO SETTLEMENT, IT ALSO PROVIDES A WIDE RANGE OF OTHER SERVICES AND PRODUCTS TO PSE AND UNIVYC MEMBERS, AS WELL AS TO OTHER MARKET PARTICIPANTS. UNIVYC HAS A DOMINANT POSITION IN THE SETTLEMENT SECTOR ON THE CZECH CAPITAL MARKET SINCE AN OVERWHELMING MAJORITY OF THE VALUE OF TRADES IS SETTLED BY MEANS OF UNIVYC.


Helena Čacká
Managing Director and Vice-Chairwoman of the Board of Directors,
UNIVYC, a.s.

Settlement

Univyc arranges financial settlement in CZK through payment orders sent to the Czech National Bank's Clearing Centre. In 2004 it sent almost 191 thousand orders, worth a total of CZK 2,919 billion. The value of Exchange trades and off-Exchange securities transactions settled through Univyc in 2004 reached CZK 2,766 billion, which constitutes 89.2% of all trades completed on the Czech capital market. Out of the total value of trades settled by Univyc, the Exchange trades amounted to CZK 1,042 billion (37%) and off-Exchange transactions CZK 1,724 billion.

In line with the new Capital Market Undertaking Act, Univyc adjusted its rules that came into effect on 1 December 2004. The most significant changes were made in the new UNIVYC Settlement System Rules, approved by the Securities Commission. Transfer from the current membership principle to the participation principle was the biggest change in the new legislation.

Other activities

In 2004, Univyc negotiated the settlement of 42 primary bond issues worth CZK 143 billion and ensured the payment of yields on two issues of certificated securities of MERO and Teplárny Brno dividends of two share issues (ERSTE BANK and STOCK PLZEŇ). The depository of Československá obchodní banka, a.s. was newly used for the safe custody of certificated securities. Other activities of Univyc included loans of securities which, however, have recently seen a continuous decrease in interest among Exchange members and Univyc.

Central Depository

In May 2004 the new Capital Market Undertaking Act came into effect; it created conditions for the establishment of a central securities depository. The preparation for the launching of the Central Depository, used to register and settle securities, thus contributing to the higher transparency of the Czech capital market, followed up on the activities during the previous two years. In January 2005 a contract was concluded between Univyc and PVT, a.s., provider of technology for the future depository. The contract of cooperation in preparation and delivery of Central Depository services especially defines the scope and nature of the services provided by PVT to the Central Depository and the schedule of transfer from the current securities record-keeping regime to the Central Depository regime. Univyc filed a request for a Central Depository license with the Securities Commission on 31 January 2005.

Univyc bodies

Univyc's Board of Directors has three members and in 2004 was composed of:

- Mr. Petr Koblíček - Board Chairman (Chairman from 21 July 2004, member from 23 June 2004)
Replaced Mr. Pavel Hollmann, MBA, who acted as the Board Chairman until 31 May 2004.
- Ms. Helena Čácká - Board Vice-Chairwoman
- Mr. Jan Klenor (member from 19 January 2005)

Mr. Tomáš Ševčík was a Board member until 31 July 2004.

The Supervisory Board had the same members as in 2003:

- Mr. Věslav Michalík - Chairman
- Ms. Petra Wendelová
- Mr. Jan Struž



Information and Trading System



IN 2004 THE IT DEPARTMENT ESPECIALLY FOCUSED ON THE ONGOING PROJECT OF PREPARATION OF THE CENTRAL SECURITIES DEPOSITORY AND ON THE FURTHER DEVELOPMENT OF THE EXCHANGE'S TECHNOLOGY INFRASTRUCTURE.



THE IT DEPARTMENT, WHICH IS RESPONSIBLE FOR THE TECHNOLOGY USED IN THE CENTRAL DEPOSITORY PROJECT, ESPECIALLY DEALT WITH ANALYTICAL AND SOFTWARE WORK CONNECTED WITH THE PROJECT. OTHER SOFTWARE PROJECTS WERE AIMED AT IMPROVING THE FUNCTIONING OF WEB PAGES, ADJUSTING THE SETTLEMENT SYSTEM, EXTENDING THE SERVICES PROVIDED TO THE MEMBERS VIA THE INTERNET AND IMPROVING THE SOFTWARE SUPPORT OF THE EXCHANGE'S INSPECTION ACTIVITIES.

WE SUCCESSFULLY COMPLETED THE TRANSFER OF INFORMATION TECHNOLOGY TO NEW VERSIONS OF OPERATING SYSTEMS IN SERVERS AS WELL AS WORKSTATIONS IN THE INTRANET. OUR INTERNET CONNECTION WAS ALSO CHANGED. ITS CAPACITY WAS INCREASED THANKS TO THE IMPLEMENTATION OF ANOTHER LINE, WHICH IS ALSO A BACK-UP IN CASE OF FAILURE. WE ALSO REPLACED THE FIREWALL SYSTEM AND UPGRADED CENTRAL ROUTERS. LAST BUT NOT LEAST, WE BUILT THE SO-CALLED VIRTUAL PERSONAL NETWORK FOR EXCHANGE MEMBERS AND NEWS AGENCIES.

Miroslav Prokeš
Director of the IT Department

2004 was the second year of fervent preparations for the Central Securities Depository project. Analytical work and programming aimed at improving the settlement system continued in light of the effects of the new Capital Market Undertaking Act, to fully implement the DVP (delivery vs. payment) principle, thus adjusting Univyc's system to the new legislative conditions. At the same time we worked on improving the securities record-keeping system, based on the existing system of recording foreign securities in Univyc. During the year, a significant portion

of the IT Department's capacity focused on the preparation of a contract with Podnik výpočetní techniky (Information Technology Enterprise - PVT), which became an important partner and co-supplier of software and services for the Central Depository. Analysis and preparation of a program solution to transfer the current records of the Securities Centre to the new Central Depository was another major task. Our participation in the preparation and evaluation of the PHARE tenders involving SW deliveries for the Central Depository also played an important role.

Analytical and programming work commenced in 2004 to solve a new method of connecting members and news agencies to the Exchange and Univyc or the Central Depository, based on modern web technology (SOAP, XML). The goal of this project was to provide all members a more advanced and effective alternative to the existing method of communication, which has been in use for 9 years already. The new system will be primarily used by the new participants in the Central Depository who have not been connected to Univyc yet.

To increase transparency, Internet-based services provided to the members were upgraded. This especially involves the mandatory reporting of data on member firms. In the past the members reported these data by mail or by fax; later the data were manually entered in the Exchange's databases. The new solution allows direct update and check of data in the Exchange's databases directly by the members using an Internet application.

To publish information on the Exchange's internal web page we implemented a new application supporting controlled publishing activities. Thanks to this new solution all authorised persons can publish the relevant information centrally through the Exchange's internal web page and can determine who the information is intended for and how the recipient will be notified of the published information.

In 2004 we continued to provide technical support for the Exchange's inspection activities. Attention was especially paid to the monitoring of price handling and to the automated supervision over cancelled instructions. Coding technology and digital signature technology using chip cards were introduced for the purposes of exchange of confidential information between inspection personnel and Exchange members. 2004 was also an important year in terms of further development of information technology security. It was decided to implement the ISMS (Information Security Management System) project in line with the established international standards BS ISO/IEC 17799:2000 and BS7799-2:2002. An external consultant was invited to participate in project implementation.

In the field of technology we transferred servers and user workstations to the more secure environment of new operating system versions. In addition to the significantly improved efficiency, the new solution also brought about higher security of the whole internal system.

To provide for the better connection of participants to the Exchange, we proposed and implemented a new connection using the Internet and the VPN (Virtual Private Network) technology. Thanks to this solution it was possible to reduce the costs of connection and to increase the availability of the sales and settlement system. The solution is successfully used by the members and news agencies as a back-up connection and by software firms for testing purposes.

In 2004 we completed the upgrade of the Exchange's communication system, initiated in the previous year. We implemented firewalls and optimised the setting of the whole communication infrastructure.

We set into operation a second independent line used for Internet connection, thereby significantly increasing the connection capacity; this solution also allows minimizing the risk of full network failure. Due to the ever-growing demands on network security against external attacks, we updated our Internet protection (firewall).

Work on the main information channel - Exchange web page - also continued. We mostly focused on improving technical parameters that significantly increased the quality of the presented information. This especially involved design optimization for higher resolution (SXGA 1,280 x 1,024 pixels). We also replaced the hardware on the server used for web page operation.



THE EXCHANGE'S INSPECTION ACTIVITIES CONSTITUTE AN INTEGRAL PART OF ITS EVERYDAY OPERATION. THEIR GOAL IS TO PROMOTE THE EXCHANGE'S REPUTATION AS A SAFE PLACE FOR SECURITIES TRADING, WITH STRONG PROTECTION OF INVESTORS' INTERESTS. IN 2004 WE PRIMARILY FOCUSED ON THE COMPLIANCE OF CUSTOMER CONDUCT PRINCIPLES AND MARKET TRANSPARENCY. WE PUT A LOT OF EMPHASIS ON THE TIMELY DETECTION OF INDIVIDUAL BREACHES OF THE EXCHANGE REGULATIONS IN ORDER TO MINIMISE THEIR CONSEQUENCES. WE CONTINUED IN OUR TREND OF PREVENTIVE INSPECTION EFFECTS WITH AN INCREASING EMPHASIS ON ENQUIRY SURVEYS AND ON DIRECT LINKS BETWEEN INSPECTION AND EXCHANGE MEMBERS. THE LONG-TERM DECLINE IN THE NUMBER OF DETECTED BREACHES OF THE EXCHANGE REGULATIONS TESTIFIES TO THE INCREASING QUALITY OF SERVICES AND CONDUCT OF EXCHANGE MEMBERS.



NEW MEMBERSHIP RULES AND INSPECTION RULES, RESPONDING TO THE PRACTICAL EXPERIENCE IN THE ENFORCEMENT OF INDIVIDUAL PROVISIONS OF THE EXCHANGE REGULATIONS SO FAR, WERE PREPARED IN CONNECTION WITH THE NEW CAPITAL MARKET UNDER-

TAKING ACT AND THE RELATED DECREES. WE ALSO PAID ATTENTION TO IMPROVING THE SOFTWARE USED BY THE INSPECTION PERSONNEL, WHEREBY WE MANAGED TO INCREASE THE EFFECTIVENESS AND EFFICIENCY OF THE INSPECTIONS. WE SUCCESSFULLY DETAILED INDIVIDUAL FUNCTIONS THAT INDICATE POSSIBLE BREACHES OF THE EXCHANGE REGULATIONS, WHICH RESULTED IN HIGHER RELIABILITY AND EFFICIENCY OF THE INSPECTION SOFTWARE. LIKewise, WE COMPLETED THE ANALYTICAL PREPARATION OF NEW FUNCTIONS ORIENTED ON THE HANDLING ISSUES.

Inspection

PSE's Activities 2004



A stylized, handwritten signature in blue ink, appearing to read 'Skalný'.

Vladimír Skalný
Director of the Inspection Department

Analytical trade monitoring, using daily analysis of the data in the Exchange's business system, is a key pillar of inspection activities. About 9,800 business cases were monitored during the period in question; 850 of them were tested through written or phone enquiries (273 enquiries from 23 members in total). In case of serious and repeated findings as well as in case of need to preventively verify a member's conduct, we launched 16 operational inspections in/of 12 Exchange members. These figures show our preference for enquiry as a primary means to survey selected business transactions and getting recourse to the detriment of formalised inspections.

In line with the inspection schedule, 12 detailed and 9 repeat inspections were launched in 2004 in order to keep the frequency of 1 detailed inspection every 3 years for each member.

The detailed inspections are primarily focused on those fields that cannot be fully studied through analytical monitoring (customer conduct principles, disclosure duties, documentation).

work

Due to the new legislation, the Exchange did not impose any sanctions on its members as of 1 May 2004 (the Exchange's right to impose sanctions is removed from the Capital Market Undertaking Act). The Exchange launched 4 disciplinary proceedings on the imposition of sanctions by 1 May 2004. The Exchange imposed 4 sanctions on the basis of these proceedings. As of May the members were notified of the identified defects by a letter from the Chairman of the Exchange Membership Committee (5 cases) in case of serious breaches of the Exchange regulations; at the same time they were requested to take corrective actions.

The development of inspection software was focused on the analysis, programming and testing of new functions with a view to indicating the cases of preference of member accounts to customer accounts and monitoring cancelled instructions in block trades. When the Capital Market Undertaking Act was adopted, we compiled an analytical preparation of functions aimed at possible handling

issues in line with it. Closer specification of individual functions and increase in the reliability and efficiency of the inspection software are continuous activities. Within the framework of a member disclosure application we completed our work on its "communication part". This part enables the members to fulfil their disclosure duties with respect to the Exchange through a software interface and to be able to verify the correctness of the data recorded by the Exchange. The importance of fulfilment of the disclosure duties in writing is therefore significantly reduced.

New Membership Rules and Inspection Rules, responding to the practical experience in the enforcement of individual provisions of the Exchange regulations so far, were prepared in connection with the new Capital Market Undertaking Act and the related decrees. The modifications mostly involve the conditions of membership of PSE shareholders, definition of members as one of the categories of persons authorised to conclude Exchange trades and modifications of membership of foreign persons, but also sanctions or measures taken by the Exchange in case of a member's breach, customer conduct principles, market handling and protection of internal information (detailed arrangement), as well as simplification of disclosure duties and the method of their fulfilment.



Membership

At 31 December 2004 the Exchange had 28 members, of which three did not trade (Czech National Bank, Czech Consolidation Agency and Ministry of Finance of the Czech Republic). During the period in question, one member ceded its membership (PPF Asset Management a.s. to První městská banka, a.s.), one member merged and changed its name (J&T Securities (CZECH REPUBLIC) a.s. to J&T BANKA, a.s.) and two members were renamed (Interbanka, akciová společnost to BAWAG Bank CZ, a.s. and První městská banka, a.s. to PPF banka a.s.).



THE ACCESSION OF THE CZECH REPUBLIC TO THE EUROPEAN UNION WAS EASILY THE MOST IMPORTANT EVENT THAT INFLUENCED THE EXCHANGE'S COMMUNICATION STRATEGY. THIS FACT WAS MIRRORED IN THE FURTHER STRENGTHENING OF THE PSE'S CREDIBILITY, ESPECIALLY AMONG FOREIGN INVESTORS, AND IN THEIR LARGER INTEREST IN THE CZECH CAPITAL MARKET. THIS INTEREST WAS ALSO SUPPORTED BY THE ADMISSION OF THE EXCHANGE TO REGULAR MEMBERS OF THE

FEDERATION OF EUROPEAN STOCK EXCHANGES (FESE) AND BY THE AWARD OF THE DESIGNATED OFFSHORE SECURITIES MARKET STATUS, WHICH IS GIVEN BY THE US SECURITIES AND EXCHANGE COMMISSION. THIS STATUS IS A SIGNAL FOR OVERSEAS INVESTORS THAT THE CZECH CAPITAL MARKET IS A STANDARD AND SAFE ENVIRONMENT FOR INVESTMENTS.

THE CONTINUOUS GROWTH OF THE HISTORICALLY OLDEST AND BEST-KNOWN PX 50 INDEX, WHICH OUTPERFORMED SEVERAL OLD RECORDS, ALSO CONTRIBUTED TO THE EXCHANGE'S POSITIVE MEDIA IMAGE. THE RECORD-HIGH VALUES OF TRADES ON THE STOCK AND UNIT MARKET ALSO DEMONSTRATE THE INCREASING INTEREST IN THE CZECH CAPITAL MARKET. IN MID-2004 A NEW ISSUE OF THE FRENCH ZENTIVA WAS ADMITTED TO THE EXCHANGE, WHICH STIMULATED FURTHER INTEREST AMONG INVESTORS.

JUST AS IN THE YEARS BEFORE, WE AGAIN COOPERATED WITH THE SECURITIES COMMISSION ON PROJECTS AIMED AT INCREASING INTEREST IN INVESTMENTS AT THE EXCHANGE, PRIMARILY AMONG SMALL AND MEDIUM-SIZED INVESTORS. THIS TIME THE CAMPAIGN WAS CONDUCTED IN THE PRESS AS WELL AS ON TV AND ON RADIO, WHICH RESULTED IN ITS BROAD REACH. THE EXCHANGE'S TRADITIONAL ACTIVITIES INCLUDE COOPERATION WITH UNIVERSITIES. DURING ORGANISED LECTURES THE STUDENTS HAD AN OPPORTUNITY TO LEARN ABOUT THE OPERATION OF THE PSE AND THE CAPITAL MARKET IN GENERAL.

THE EXCHANGE'S MEDIA PRESENTATION FOCUSES ON THE PREPARATION OF THE CENTRAL DEPOSITORY PROJECT IN THE LONG RUN. WE CONTINUED SUPPORTING THE IDEA OF PRIVATIZATION OF THE REMAINING STATE INTERESTS IN JOINT-STOCK COMPANIES THROUGH THE CAPITAL MARKET, DOING SO THROUGH LECTURES, SEMINARS AND DIRECT MEDIA PRESENTATIONS. THE OVERALL POSITIVE MOOD ON CAPITAL MARKETS ALSO RESULTED IN A RATHER HIGH INTEREST IN THE DISTRIBUTION OF EXCHANGE INFORMATION, WHICH CONTINUOUSLY CREATES CONDITIONS FOR THE GROWTH OF THE EXCHANGE'S REVENUES IN THIS FIELD.



Vladimír Ezr

Deputy CEO and Director of the Service Department



PSE's Activities 2004

Information and PR Policy

Communication and information services

In 2004 the Exchange continued in its well-tested information policy with emphasis on electronic data distribution. A contract with the London Stock Exchange involving mutual data exchange for domestic issues listed on the other market was extended.

The development of the web page as the main and most comprehensive source of Exchange information for investors continued. Information concerning trading, acceptance and withdrawal of securities, statistical news and other current news was continuously published in the NEWS section

on the homepage. We are happy that their frequency has increased significantly. As for the publication of trading data, the delay was reduced from 30 to 15 minutes and fundamental trading data in EUR and USD were added. At the time of the Czech Republic's accession to the European Union, a special information page was set up, dealing with among other things legislative harmonization. Taking into account the ever-increasing number of visitors to our page, we tried to optimise the Internet interface to bring it in line with all current requirements and make it as user-friendly as possible. We therefore adjusted the web page to suit the currently most frequent resolution of 17" and 19" displays (LCD, CRT) and created a three-column opening page; we also added an exchange rate calculator and adjusted the design of the NEWS section. A new internal SW tool called Notice Board was implemented to simplify the publication of Exchange information and important messages.

Many informational and social events were organised on the occasion of the first IPO issue in PSE's history - issue of shares of the pharmaceutical company Zentiva. The tradition of IPO Exchange Bell was established; in February 2005 an issue of ORCO was added to the Zentiva issue.

Topics such as market transparency and ethics are still very up-to-date, and we therefore organised a Corporate Governance Evaluation Conference in the Czech Republic, especially with respect to collective investment institutions, in cooperation with the World Bank and the Ministry of Finance. To support the privatization of state interests in joint-stock companies by way of the capital market the Exchange held a seminar on "Privatization through the Capital Market - Myths and Reality". The speakers included recognised experts from CA IB London, the Warsaw Stock Exchange, JPMorgan and White & Case, who spoke to the visitors about their experience in privatization through capital markets in Central and Eastern Europe. On behalf of the PSE the seminar was attended by Mr. Petr Koblic, Chairman of the Exchange Chamber and CEO, who disproved "popular Czech privatization myths" in his contribution.

Performance and Results

P S E ' s A c t i v i t i e s 2 0 0 4

IN 2004 WE CONTINUED THE TREND OF ACHIEVING BETTER TRADING RESULTS THAN BUDGETED - BY OVER CZK 39 MILLION IN 2004. THE MAIN FACTORS THAT INFLUENCED THE ACHIEVED RESULTS MOST OF ALL INCLUDED, JUST AS IN 2003, THE GROWING VALUE OF REVENUES FROM TRADING, INCLUDING SETTLEMENT.

IN 2004 THE EXCHANGE DID NOT HAVE THE STATUS OF THE OWNER OF THE EXCHANGE PALACE, BUT ACTED AS A FULL-VALUE TENANT. THIS STEP PROVED TO BE JUSTIFIED ECONOMICALLY, AS SAVINGS OF ABOUT 24% WERE ACHIEVED IN THE FIELD OF OPERATING COSTS OF SERVICES. WE SHOULD ALSO MENTION THE IMPORTANCE OF THE EXCHANGE'S INCREASED CASH FLOW AS A SOURCE OF FUNDING OF DEVELOPMENT PROJECTS. ONE OF THE MOST IMPORTANT PROJECTS IN TERMS OF FINANCIAL VOLUME IS DEFINITELY THE CENTRAL DEPOSITORY PROJECT.

I BELIEVE THAT THE EXCHANGE'S CURRENT HUMAN AND TECHNICAL POTENTIAL IS CAPABLE OF UTILISING THE AVAILABLE RESOURCES EFFECTIVELY AND WORKING ON ITS FURTHER ECONOMIC VALUATION.



A handwritten signature in blue ink, reading "Horáček P".

Petr Horáček

Director of Finance and Administration Department



Selected indicators

CZK mil.	2004	2003	2002	2001	2000	1999
Revenues	267	359	199	202	241	265
Costs	225	312	320	168	192	245
Trading result before tax	42	47	-121	34	49	20
Trading result after tax	30	38	-124	21	32	11
Shareholders' equity	337	348	339	466	445	437

To assess the development of the selected indicators, it is necessary to mention that the trading results in 2003 and 2002 were significantly affected by accounting operations caused by the sale of the Exchange Palace. An adjustment in the amount of CZK 172,212,000 was created in 2002 and negatively impacted the trading result (pre-tax trading result excl. the sale of the building was CZK 63,109,000). In 2003 the building was sold at a price higher than the estimate in the expert opinion and the 2002 adjustment was dissolved (pre-tax trading result

excl. the sale of the building was CZK 25,828,000). In 2004 the total revenues and costs are influenced by the fact that the Exchange's funds in the amount of CZK 200,000,000 were invested in securities by Komerční banka as a securities portfolio manager. The trading result of portfolio management was a pre-tax profit of CZK 3,757,000.

We can conclude that in the long run the company achieves positive trading results even after adjustment by the influences mentioned above (see the table below).

CZK mil.	2004	2003	2002	2001	2000	1999
Revenues	175	150	199	202	241	265
Costs	137	124	136	168	192	245
Trading result before tax	38	26	63	34	49	20

Financial results

The income from the Exchange's activities covered the company's operating and investment needs and no credits were therefore needed during the year.

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

The Company's profit before tax for 2004 totalled CZK 42,260,000. Compared with the projection for the same period, the result is higher by CZK 39,340,000. It was favourably influenced by higher revenues from trading, including settlement.

A tax duty of CZK 8,959,000 results from the Company's business result. The deferred income tax, which was calculated from all temporary differences between tax and accounting values in 2004, means that the deferred tax receivable calculated in 2003 was reduced by CZK 3,738,000 to CZK 2,000. Based on additional income tax revenue for 2003, which included costs of the PSE's development projects in expenses at the advice of the Exchange's tax consultants, the tax was reduced by CZK 906,000. The Company's after-tax profit for the accounting period totalled CZK 30,469,000.





Performance and Results

Financial situation and the Company's prosperity is obvious from the developments in the following ratios and indicators:

	2004	2003	2002	2001	2000	1999	1998
Return ratios							
Return on total assets	0,080	0,100	X	0,041	0,058	0,019	0,023
Return on equity	0,090	0,110	X	0,046	0,073	0,025	0,034
Return on registered capital	0,097	0,104	X	0,058	0,088	0,029	0,038
Return on liabilities	0,821	0,834	X	0,523	0,303	0,075	0,078
Financial stability indicators							
Financial independence	0,893	0,884	0,886	0,896	0,796	0,741	0,685
Long-term loans	0,896	0,920	0,886	0,920	0,885	0,922	0,950
Interest coverage	X	X	X	7,85	4,98	1,70	1,47
Insolvency	0	0	0	0	0	0	0
Total liquidity	7,20	16,22	8,32	7,02	3,35	3,73	5,39
Total debt	0,10	0,06	0,05	0,03	0,15	0,21	0,27
Increase, or decrease in short-term financial assets	97 009	11 521	42 799	3 854	19 630	24 517	-13 427

Structure of assets and financial resources (%).

	2004	2003	2002	2001	2000	1999
Assets	100,00	100,00	100,00	100,00	100,00	100,00
Fixed assets	29,22	7,88	60,34	79,31	80,33	84,60
of this: tangible and intangible assets	4,57	6,14	60,31	78,44	78,73	82,34
financial investments	24,65	0,79	0,03	0,02	0,02	0,02
long-term receivables	0,00	0,95	0,00	0,85	1,58	2,24
Short-term receivables	7,33	56,45	5,82	3,93	5,35	5,16
of this: trade receivables	4,84	54,51	5,82	3,93	4,62	4,86
other receivables	2,49	1,94	0,00	0,00	0,73	0,30
Financial assets	61,53	34,4	32,41	15,61	13,81	9,77
Temporary accounts	1,92	1,27	1,43	1,15	0,51	0,47
Liabilities	100,00	100,00	100,00	100,00	100,00	100,00
Long-term liabilities	89,33	88,37	88,62	89,64	88,43	90,90
of this: own resources	89,33	88,37	88,62	89,64	79,58	74,11
bank loans and assistance	0,00	0,00	0,00	0,00	8,85	16,79
long-term liabilities	0,00	0,00	0,00	0,00	0,00	0,00
Short-term liabilities	9,57	5,66	4,60	5,45	8,53	6,72
Reserves	0,26	3,66	4,73	2,37	1,70	1,25
Temporary accounts	0,84	2,31	2,05	2,54	1,34	1,13

Note: Writing of numbers does not correspond with English method

Trends in trading results

CZK thousand	Projection	Actual balance	Actual balance	Actual balance	Actual balance	Actual balance	Actual balance
Indicator	2004	2004	2003	2002	2001	2000	1999
Profit/loss before tax	2 920	42 260	47 302	-120 958	33 548	49 607	19 617
- from operating activities(including the sale of the PSE building)	20	32 091	44 226	-123 605	33 582	54 778	32 968
- from financial acitivities (including sale of securities from the portfolio)	2 900	10 169	3 076	1 156	-384	-5 244	-13 057
- from extraordinary activities		3 757					
		0	0	1 491	350	73	-294
Income tax		11 791	9 095	2 607	12 307	17 238	8 669
- due		8 053	12 835	15 816	12 215	16 612	6 524
- defereed		3 738	-3 740	-13 209	92	626	2 147
Profit (loss) after tax	2 920	30 469	38 207	-123 565	21 241	32 369	10 946

Exchange Bodies

THE EXCHANGE CHAMBER

The Exchange Chamber is the PSE's statutory body which directs its work and acts in its name. As required by its plan of activity, the Exchange Chamber met at a total of twelve meetings during 2004.

Composition of the Exchange Chamber as at 31 December 2004

CHAIRMAN

Petr Kobic - Burza cenných papírů Praha, a.s.
Date of birth: 22 February 1971
Education: University of Economics, Prague
Current post: Chief Executive of the PSE

Co-opted to the Exchange Chamber on 23 June 2004, elected member of the Exchange Chamber on 24 June 2004, elected Chairman of the Exchange Chamber on 20 September 2004

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

As at 29 February 2004 resigned at the post of the Chairman of the Exchange Chamber and member of the Exchange Chamber

VICE-CHAIRMEN

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

As at 20 October 2004 resigned from the post of Vice-Chairman of the Exchange Chamber and member of the Exchange Chamber

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

MEMBERS

Pavel Hollmann, MBA
 Burza cenných papírů Praha, a.s.(Prague Stock Exchange)
Date of birth: 27 April 1948
Education: Czech Technical University, MBA, PIBS Praha
Current post: General Secretary

As at 19 May 2004 resigned from the membership of the Exchange Chamber.

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

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

Tomáš Zralý - shareholder representative, Živnostenská banka, a.s.
Date of birth: 15 July 1951
Education: University of Economics, Prague
Current post: member of the Board of Directors and Deputy Managing Director

As at 23 June 2004 resigned from the membership of the Exchange Chamber

Daniel Heler - shareholder representative, Česká spořitelna, a.s.
Date of birth: 12 December 1960
Education: University of Economics, Prague
Current post: member of the Board of Directors and Deputy Managing Director

Co-opted to the Exchange Chamber as at 24 March 2004, elected on 24 June 2004

Jan Klenor - shareholder representative, Patria Finance, a.s.
Date of birth: 9 February 1966
Education: University of Economics, Prague
Current post: Chairman of the Board of Directors

Co-opted to the Exchange Chamber as a substitute member on 15 December 2004.

Petr Milev - shareholder representative, Česká pojišťovna, a.s.
Date of birth: 15 December 1968
Education: Charles University, Faculty of Mathematics and Physics
Current post: Managing Director, Global Markets

Elected to the membership of the Exchange Chamber on 24 November 2004.

SUPERVISORY BOARD

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

COMPOSITION OF THE SUPERVISORY BOARD AS AT 31 DECEMBER 2004

CHAIRMAN

Věslav Michalík - CA IB Corporate Finance, a.s.
Date of birth: 1 March 1963
Education: Czech Technical University, Faculty of Nuclear Physics
Current post: Chairman of the Board of Directors

MEMBERS

Martin Aschenbrenner
 Procházka Randl Kubr & Partneři
Date of birth: 8 May 1973
Education: Law Faculty of the Charles University, Harvard Law School, Cambridge
Current post: attorney

Jiří Klumpar - PricewaterhouseCoopers
Date of birth: 9 May 1956
Education: Czech Technical University, Faculty of Nuclear Physics

Jan Struž - Financial and economic consultant
Date of birth: 5 May 1949
Education: University of Economics

Petra Wendelová, - ERNST&YOUNG Česká republika, k.s.
Date of birth: 3 June 1962
Education: University of Economics
Current post: Corporate Finance Partner

Tomas Spurny - Všeobecná úvěrová banka, a.s.
Date of birth: 16 April 1965
Education: New York University, Columbia University
Current post: Chairman of the Board of Directors

As at 31 March 2004 resigned from the Supervisory Board.

Roman Klaban - Všeobecná úvěrová banka, a.s.
Date of birth: 8 February 1967
Education: University of Economics, Prague
Current post: member of the Board of Directors

From 21 April 2004 substitute member of the Supervisory Board, elected on 24 June 2004.

THE EXCHANGE MEMBERSHIP COMMITTEE

Chairman: Peter Palečka, Komerční banka, a.s.
Vice-Chairman: Lubomír Vystavěl, ING Bank N.V.
Secretary: Josef Marek, Burza cenných papírů Praha, a.s.

The Exchange Membership Committee met eleven times in 2004. The Committee paid attention especially to the preparation and implementation of measures stipulated in Act No. 256/2004 Sb., on Capital Market Undertakings for the rights and duties of the Exchange and its members. Together with this, the Committee also recommended application of the equal position principle to local and foreign entities and - for higher protection of members' rights - the two-instance decision-making on measures taken with the aim to enforce observance of the Exchange Regulations by Exchange members.

In this connection, the Committee paid special attention to the implementation of measures taken to remove the deficiencies found at the Exchange members during the inspections. From the date the Act entered into effect, it was no longer possible to impose sanctions in administrative proceedings for this purpose. Despite this restriction, the Committee reached its goal, i.e. correction of the deficiencies found, thanks to its authority by means of a written notification about the deficiencies signed by the Chairman.

Before the Act became effective, the Committee discussed and proposed to open three administrative proceedings for breaches of the Exchange Regulations. It also prepared a draft ruling of the Exchange Chamber on these administrative proceedings and one proceeding transferred from 2003. Based on the Committee's drafts, the Exchange Chamber imposed four sanctions for ten breaches of the Exchange Regulations and rules, of these three cases were aggregate sanctions.

The Committee also discussed the development of the membership and shareholding structure. During the year, the number of members (28) did not change. At the end of the year, one company ended its membership because trading of its financial group was concentrated in one company from the preceding two. The only changes made included: ceding of membership from PPF Asset Management a.s., to První městská banka, a.s., and J&T BANKA, a.s. became a new member of the Exchange based on the merger of J&T SECURITIES (CZECH REPUBLIC), a.s. and J&T BANKA, a.s.

The new act also changed the Exchange membership of the Czech National Bank, the Czech Consolidation Agency and the Czech Republic exercised by law through the Ministry of Finance to a legal right to conclude Exchange trades. The Exchange re-defined its relations with these entities with effect from 1 January 2005.

The Committee discussed and prepared a paper for the Exchange Chamber's ruling on nine applications for approval with the transfer of Exchange shares. The biggest PSE's shareholder was Patria Finance, a.s. which holds 18.018% in the PSE registered capital. The 11th Regular General Meeting reduced the registered capital by CZK 17,307,000 to CZK 365,741,000. At the shareholder's call, the Exchange purchased 45,206 shares, of this 1,156 shares were purchased on the basis of the 12th Regular General Meeting's resolution. As a result, the Exchange owned 97,155 of its own shares as at 31 December 2004. A total of 14.33% of the PSE's shares changed owner. The 12th Regular General Meeting's decision to reduce the PSE's registered capital by CZK 51,949,000 to CZK 313,792,000 entered into effect in 2005.

THE EXCHANGE LISTING COMMITTEE

Chairman: Pavel Hollmann (until May 2004)

Petr Kobic: (from June 2004)

Vice-Chairman: Pavel Makovec

Secretary: Eva Štrupová, Burza cenných papírů Praha, a.s.

The Exchange Listing Committee met regularly in 2004 at seven regular meetings, and six times decided on the basis of voting "per rollam".

The Committee primarily discussed and approved applications for the admission of securities for trading.

Ten bond issues were admitted to the Free Market and four bond issues were admitted to the prestigious Main and Secondary Markets. Listing of new Zentiva's shares on the Main Market in June 2004 was an uncontested success, and it was accompanied by extraordinary interest of the public.

Four bond programmes were also approved in compliance with the Exchange Regulations. In the first half of 2004, the Committee prepared an analysis of the new Accounting Act and its impact on companies admitted to the Exchange. This involved particularly clearing the key issue: whether the new amendment implementing EU Decree will result in a duty of the issuers traded on the Exchange to keep their accounts in line with the International Financial Reporting Standards (IFRS). After consultations with the Czech Republic's Ministry of Finance, the Securities

Commission and auditors' representatives, basic information of the PSE about reporting of companies admitted to trading on the regulated market was prepared. All issuers on the Main, Secondary and Free Markets were notified that beginning from 2005 they will have to keep their accounts and compile their financial statements in compliance with IFRS, and this will also apply to consolidated financial statements.

In the second half of 2004 the Committee drafted an amendment to parts III and V of the Exchange Regulations: Requirements for Admission of a Security to Trading. The amended parts were approved by the Exchange Chamber and entered into effect on 1 January 2005; they mirrored the new Capital Market Undertaking Act, the Bond Act and incorporated the duty of issuers to apply IFRS to their account-keeping and compilation of non-consolidated and consolidated financial statements.

The changes were made with respect to the Czech Republic's membership in the EU and its duty to implement EU decrees in Czech laws. The regulations now stipulate the option of recognizing foreign issuers' prospectus and assessing the obligatory public spread of shares also in the EU.

The Committee continued in a thorough checking of fulfilment of the disclosure duties of issuers admitted to trading on the Main and Secondary Markets and it also monitored fulfilment of disclosure duties stipulated by the Securities Act by companies traded on the Free Market.

THE EXCHANGE TRADES COMMITTEE

Chairman: Jan Sýkora

Vice-Chairman and Secretary: Jiří Opletal

During 2004 the Committee met whenever needed.

Until the end of 2004, it was not necessary to make any major changes or amendments in individual trading segments or trading specifications because no major technical or operation problems accompanied the trading and amendments to laws governing the capital market did not affect it.

The Committee's activities therefore focused particularly on the adaptation of standard specifications for issues included in SPAD trading based on voting "per rollam". During the year, the Committee also discussed trading results, special transactions with securities, proposed the schedule of trading sessions and evaluated proposals for adjustment in the fees for Exchange trades and their settlement.

At the end of the year, the Committee discussed an extensive amendment to the part of Exchange Regulations governing trading at the Exchange in 2005 which was drafted in compliance with Act 256/2004 Sb., on Capital Market Undertakings, and the pertaining implementing regulations.

THE EXCHANGE ARBITRATION COURT

Chairman: Václav Školout

Vice-Chairwoman: Vladana Vališová

Vice-Chairman: Karel Muzikář

Secretary: Alena Tomanová

The Exchange Arbitration Court (hereinafter EAC) at the Prague Stock Exchange is a standing arbitration court acting as an independent body. It can also decide on disputes arising in connection with other trades in investment instruments, disputes over trades on the capital market, financial market, insurance market and contributory pension insurance market. The disputes are judged by independent arbitrators in compliance with arbitration procedure regulations. In its decision-making and organisational activities, the EAC is fully independent. It is composed of the EAC Council, persons entered in the List of Arbitrators and the EAC Secretary.

Report of the Supervisory Board

During 2004, the Supervisory Board met at 12 meetings. In 2005, up to the date of the General Meeting held on 9 June 2005, five Supervisory Board meetings - attended by Board members approved by the 12th ordinary General Meeting of Shareholders held on 24 June 2005 - took place. The Supervisory Board performed its supervisory function in accordance with the appropriate legal regulations and the PSE's Articles of Association.

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

At its meeting on 20 April 2005, the Supervisory Board discussed the Report on the Exchange's Business Activities and the State of its Assets for 2004. It had no comments on the submitted Report and, therefore, recommends the General Meeting to approve it.

In line with Article 34 of the PSE's Articles of Association, the Supervisory Board reviewed the audited financial statements for 2004 and familiarized itself with the Auditor's Report. The Supervisory Board agrees with the PSE's financial statements and with the submitted proposal for the distribution of the 2004 profit and recommends the General Meeting of Shareholders to approve the financial statements for the year and the Exchange Chamber's proposal for the distribution of the 2004 profit in compliance with the above stated facts.



Věslav Michalík
Chairman of the Supervisory Board

Prague, 31 May 2005



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

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

Tel: +420 224 895 500
Fax: +420 224 895 555
DeloitteCZ@deloitteCE.com
www.deloitte.cz

Registered at the Municipal Court
in Prague, Section C, File 24349
IČ: 49620592
DIČ: CZ49620592

Having its registered office at: Praha 1, Rybná 14/682

Identification number: 471 15 629

Principal activities: Organising, in accordance with the generally applicable legal regulations, Stock Exchange Rules and Stock Exchange Regulations, on pre-determined premises and at a set time through authorised persons, trading with registered securities, investment instruments that are not securities, and other capital market instruments to the extent of the licence issued by the Securities Commission

We have audited the financial statements noted below of Burza cenných papírů Praha, a.s. for the year ended 31 December 2004 on which we issued our audit reports containing unqualified opinions as follows:

- Unconsolidated financial statements prepared in accordance with the Accounting Act 563/1991 Coll., and applicable Czech regulations, which are included in the financial part of this annual report on pages 2 to 32 and
- Consolidated financial statements prepared in accordance with International Financial Reporting Standards which are included in the financial part of this annual report on pages 33 to 52.

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

In Prague on 8 July 2005

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

Statutory auditor:
Marie Kučerová
Certificate no. 1207

Marie Kučerová, authorised employee



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We have audited the accompanying financial statements of Burza cenných papírů Praha, a.s. for the year ended 31 December 2004. These financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on the financial statements, taken as a whole, based on our audit.

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

In our opinion, the financial statements give a true and fair view, in all material respects, of the assets, liabilities, equity and financial position of Burza cenných papírů Praha, a.s. as of 31 December 2004 and of the results of its operations for the year then ended in accordance with the Accounting Act and applicable Czech regulations.

In Prague on 13 April 2005

Audit firm:

Deloitte s.r.o.

Certificate no. 79

Represented by:

Statutory auditor:

Marie Kučerová

Certificate no. 1207

Marie Kučerová, authorised employee



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

Deloitte s.r.o.
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DIČ: CZ49620592

Having its registered office at: Praha 1, Rybná 14/68

Identification number: 471 15 629

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We have audited the accompanying consolidated balance sheets of Burza cenných papírů Praha, a.s. (the "Company") and its subsidiaries (the "Group") as of 31 December 2004 and 2003, and the related statements of income, cash flows and changes in equity for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2004 and 2003, and the results of its operations, cash flows and changes in equity for the years then ended in accordance with International Financial Reporting Standards.

In Prague on 18 April 2005

Audit firm:

Deloitte s.r.o.

Represented by:

Michael Jennings, with power of attorney

Closing Information

Resolution of the 13th Ordinary General Meeting of Shareholders

Shareholders present at the 13th Ordinary Meeting of Shareholders of the Prague Stock Exchange held on 9 June 2005 discussed and approved:

1) Report on the Business Operations of the Exchange for Year 2004

The Shareholders discussed over and approved the Report on the Business Operations of the Exchange and on the Current Position of Its Assets for Year 2004. They were acquainted with the Report of the Supervisory board and the Auditor's Report on the Company's financial statements and consolidated financial statements.

2) Final Account for Year 2004 and the Profit Appropriation Decision

The result of the Exchange's business operation in year 2004 is the pretax profit amounting to CZK 42.260 mil. After the income tax is paid, the extra transfer due for year 2003 made, and the actual impact of the withheld tax included, a profit of CZK 30.469 mil. will represent the result of the business operation of the Prague Stock Exchange (PSE) and will be distributed as follows:

- After-tax profit for the current year CZK 30.469 mil.
- Statutory allocation to the reserve fund CZK 1.524 mil.
- Undistributed profit for the current year CZK 28.945 mil.

The undistributed profit will be used by the Exchange for the coverage of the unsettled loss CZK 30.727 mil. from previous years.

3) Consolidated Final Account for Year 2004

The result of the business operations of the Prague Stock Exchange, Univyc, and Central Depository makes net profit of CZK 41.725 mil.

4) Principles Approved for the Activities and Business Operation in Year 2005

The goal of the business operation is to achieve a pretax profit of CZK 10.8 mil.

5) Proposal for Reduction of the Stated Capital

In accordance with the legislation currently in force, the General Meeting approved a reduction of the

Exchange's stated capital by CZK 47.476 mil. to CZK 266.316 mil. The stated capital reduction is based on the obligation to withdraw from circulation those own shares that have been held by the Company for more than three years and, in addition, on the obligation to reduce the stated capital by value of the shares acquired by the Company on the basis of the resolution adopted by the GM at its meeting held on 21/10//2004.

6) Amendments to the Articles of Association of the Exchange

With effect from 09/06/2005, the General Meeting approved the amendment to the Articles of Association of the Prague Stock Exchange. The amendment contains a new provision according to which a new member of the Exchange Chamber is elected and suspended by two-third's majority of votes. The total number of members of the Exchange Chamber is reduced to six.

7) Changes in Membership of the of the Exchange Chamber

The General Meeting took note of the resignation submitted by Michael Jasanský and which is to become effective at 16 February 2005 and of the co-optation of Jan Klenor for the post of an alternative member of the Exchange Chamber.

Re-elected for a term of the next five years was

- Petr Palečka

Elected as a new member of the Exchange Chamber was

- Jan Klenor

8) Changes in Membership of the Supervisory Board

The General Meeting took note of the changes occurred in the membership of the Supervisory Board. The following persons resigned on 01/06/2005: Martin Aschenbrenner, Jiří Klumpar, Jan Struž, Věslav Michalik, Roman Klaban and Mrs. Petra Wendelová.

Newly-elected for a term of the next five years were:

- Tomáš Prouza
- Jaroslav Míl
- Tomáš Kvapil
- Jiří Michal
- Zdeněk Bakala
- Martin Roman

Glossary of abbreviations and terms

AtS

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

auction regime

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

automatic trades

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

continual regime

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

market maker

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

prompt market

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

PX-D

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

PX- GLOB

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

PX 50

The official Exchange index, based on maximum 50 issues selected on the basis of their market capitalisation and liquidity, and considering their sector classification. At the beginning of 2005, the index base comprised 14 issues.

SC

Securities Centre, an institution established by state which keeps records of securities and manages accounts of individual securities owners (abbreviated in Czech as SCP).

SeC

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

SPAD

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

UNIVYC

Universal Settlement Centre, the Exchange's subsidiary which ensures settlement of trades concluded on the Exchange.

Přehled akcionářů a členů burzy / PSE Shareholders and Members

AKCIONÁŘI BURZY KE DNI 31.12.2004 THE EXCHANGE SHAREHOLDERS AS AT 31 DECEMBER 2004

Akcionář Shareholder	Akcie (ks) No. of shares	Podíl na základní kapitálu burzy (%) Percentage of the PSE registered capital(%)
AB Banka, a.s. v likvidaci *)	4,500	1.230
ATLANTA SAFE, a.s. *)	3,000	0.820
ATLANTIK finanční trhy, a.s.	2,996	0.819
BAWAG Bank CZ a.s.	6,400	1.750
BBG Finance a.s. *)	100	0.027
BH Securities a.s.	3,849	1.052
BODY INTERNATIONAL BROKERS a.s.	607	0.166
Brněnská obchodní, a.s. v likvidaci *) **)	100	0.027
C.S. Brokers burzovní, a.s. *)	120	0.033
Citibank a.s. *)	1,000	0.273
CREDIT SUISSE ASSET MANAGEMENT investiční společnost, a.s. *)	2,997	0.819
CYRRUS, a.s.	1,000	0.273
Česká konsolidační agentura	4,500	1.230
Česká pojišťovna a.s. *)	20,000	5.468
Česká spořitelna, a.s.	34,408	9.408
Československá obchodní banka, a.s.	1,000	0.273
ČP INVEST investiční společnost, a.s. *)	2,000	0.547
DISISOFT, a.s. *)	100	0.027
DPPR, a.s. *)	50	0.014
EASTBROKERS, akciová společnost v likvidaci*)	10	0.003
eBanka, a.s. *)	7,640	2.089
FIO, burzovní společnost, a.s.	100	0.027
GARFIELD a.s. *)	10	0.003
GE Capital Bank, a.s. *)	17,388	4.754
GES INVEST, a.s. *)	1,000	0.273
Global Brokers, a.s.	1,500	0.410
HVB Bank Czech Republic a.s.	7,612	2.081
ICEBERG A.S. *)	40	0.011
imAGe GROUP, a.s. *)	1,000	0.273
ING Bank N.V., organizational unit	3,000	0.820
INVESTKONZULT, a.s. *)	1,000	0.273
Komerční banka, a.s.	30,529	8.347
MERX, a.s. *)	20	0.005
Moravia Banka, a.s v likvidaci *)	500	0.137
OESTERREICHER & spol. s r.o. *)	1,000	0.273
Patria Finance, a.s.	65,901	18.018
PROCON INTERNATIONAL s.r.o. *)	1,000	0.273
PPF banka a.s.	2,500	0.684
Sati, a.s.	100	0.027
Stock Investment, a.s. *)	500	0.137
Všeobecná úverová banka, a.s. *)	22,154	6.057
WOOD & Company Financial Services, a.s.	1,000	0.273
Živnostenská banka, a.s.	14,355	3.925

*) Není členem burzy / The company is not a PSE member

**) burza neobdržela souhlas se zveřejněním podílu / The PSE did not obtain the company's consent with publication of its share in the PSE registered capital.

SEZNAM ČLENŮ BURZY K 31.12. 2004
LIST OF PSE MEMBERS AS AT 31 DECEMBER 2004

-
1. ABN AMRO Bank N.V., Prague branch
 2. ATLANTIK finanční trhy, a.s.
 3. BAWAG Bank CZ a.s.
 4. BH Securities, a.s.
 5. BODY INTERNATIONAL BROKERS a.s.
 6. CAPITAL PARTNERS a.s.
 7. CYRRUS, a.s.
 8. Česká konsolidační agentura (Czech Consolidation Agency)
 9. ČESKÁ NÁRODNÍ BANKA (Czech National Bank)
 10. Česká spořitelna, a.s.
 11. Českomoravská záruční a rozvojová banka, a.s.
 12. Československá obchodní banka, a.s.
 13. DEUTSCHE BANK Aktiengesellschaft Filiale Prag, organizational unit
 14. EPIC Securities, a.s.
 15. Fio, burzovní společnost, a.s.
 16. Global Brokers, a.s.
 17. HVB Bank Czech Republic a.s.
 18. ING Bank N.V. organizational unit
 19. J & T BANKA, a.s.
 20. Komerční banka, a.s.
 21. Ministerstvo financí České republiky (Ministry of Finance of the Czech Republic)
 22. Patria Finance, a. s.
 23. PPF banka a.s.
 24. PPF burzovní společnost a.s.
 25. Raiffeisenbank a.s.
 26. Sati, a.s.
 27. WOOD & Company Financial Services, a.s.
 28. Živnostenská banka, a.s.



KONTAKTNÍ INFORMACE / CONTACT INFORMATION

Adresa

Rybná 14
P.O.BOX 49
110 05 Praha 1

www server

<http://www.pse.cz>

ftp server

<ftp://ftp.pse.cz>

IČ: 47115629

DIČ: CZ47115629

Bankovní spojení

Komerční banka, a. s., pobočka Praha,
č. ú. 57008-011/0100

Zápis v obchodním rejstříku

vedeného Městským soudem v Praze, oddíl B., vložka 1773

Address

Rybná 14
P.O.BOX 49
110 05 Prague 1

www server

<http://www.pse.cz>

ftp server

<ftp://ftp.pse.cz>

ID No.: 47115629

Tax ID No.: CZ47115629

Banking Information

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

Entry in the Commercial Register

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

RYBNÁ

Financial Part

stativa

Cenné papíry

PX-D

za období:

den

týden

měsíc



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

Having its registered office at: Praha 1, Rybná 14/682

Identification number: 471 15 629

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We have audited the financial statements noted below of Burza cenných papírů Praha, a.s. for the year ended 31 December 2004 on which we issued our audit reports containing unqualified opinions as follows:

- Unconsolidated financial statements prepared in accordance with the Accounting Act 563/1991 Coll., and applicable Czech regulations, which are included in the financial part of this annual report on pages 2 to 32 and
- Consolidated financial statements prepared in accordance with International Financial Reporting Standards which are included in the financial part of this annual report on pages 33 to 52.

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

In Prague on 8 July 2005

Deloitte

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

Statutory auditor:
Marie Kučerová
Certificate no. 1207

Marie Kučerová, authorised employee

BALANCE SHEET FULL VERSION AS OF 31 DECEMBER 2004**(in CZK thousand)**

	31.12.2004		31.12.2003		
	Gross	Adjustment	Net	Net	Net
TOTAL ASSETS	529 241	-151 513	377 728	393 666	382 226
A. Receivables for subscribed capital					
B. Fixed assets	255 510	-145 146	110 364	27 268	230 626
B.I. Intangible fixed assets	82 339	-79 408	2 931	3 830	6 545
3. Software	82 179	-79 248	2 931	3 830	6 545
6. Other intangible fixed assets	160	-160			
B.II. Tangible fixed assets	80 071	-65 738	14 333	20 338	223 981
1. Land					71 856
2. Structures					123 732
3. Individual movable assets and sets of movable assets	80 071	-65 738	14 333	20 338	12 996
7. Tangible fixed assets under construction					15 397
B.III. Non -current financial assets	93 100	-	93 100	3 100	100
1. Equity investments in subsidiaries	93 100	-	93 100	3 100	100
C. Current assets	266 478	-6 367	260 111	361 380	147 598
C.II. Long-term receivables	2	-	2	3 740	
8. Deferred tax asset	2	-	2	3 740	
C.III. Short-term receivables	34 057	-6 367	27 690	222 230	23 709
1. Trade receivables	24 635	-6 357	18 278	214 577	17 550
5. Social security and health insurance contributions	1	-	1	6	
6. State - tax receivables	6 354	-	6 354	956	
7. Short-term prepayments made	3 020	-	3 020	4 513	4 702
8. Estimated receivables	19	-	19	2 146	1 436
9. Other receivables	28	-10	18	32	21
C.IV. Current financial assets	232 419	-	232 419	135 410	123 889
1. Cash on hand	25	-	25	28	26
2. Cash at bank	3 362	-	3 362	1 602	3 913
3. Short-term securities and investments	229 032	-	229 032	133 780	119 950
D.I. Other assets	7 253	-	7 253	5 018	4 002
1. Deferred expenses	4 474	-	4 474	3 857	1 591
3. Accrued income	2 779	-	2 779	1 161	2 411
Control number	2 109 711	-606 052	1 503 659	1 569 647	1 524 902

Note:

Writing of numbers does not correspond with English method in the whole Financial Part.

	31.12.2004	31.12.2003	31.12.2002
TOTAL LIABILITIES & EQUITY	377 728	393 666	382 226
A. Equity	337 431	347 876	338 751
I. Share capital	292 268	333 180	362 262
1. Share capital	313 792	365 741	383 048
2. Treasury shares and holdings (-)	-73 473	-51 768	-22 686
3. Changes in share capital	51 949	19 207	1 900
II. Capital funds	35 998	35 998	35 998
1. Share premium	22 769	22 769	22 769
2. Other capital funds	13 229	13 229	13 229
III. Statutory funds	9 423	7 512	30 198
1. Statutory reserve fund / Indivisible fund	9 423	7 512	30 198
IV. Retained earnings	-30 727	-67 021	33 858
1. Accumulated profits brought forward		56 544	33 858
2. Accumulated losses brought forward	-30 727	-123 565	
V. Profit or loss for the current period (+ -)	30 469	38 207	-123 565
B. Liabilities	37 116	36 706	40 352
I. Reserves	981	14 423	18 092
1. Reserves under special legislation			5 871
4. Other reserves	981	14 423	12 221
III. Short-term liabilities	36 135	22 283	22 260
1. Trade payables	23 647	10 006	6 221
5. Payables to employees	3 982	2 276	2 645
6. Social security and health insurance payables	3 115	1 658	1 943
7. State - tax payables and subsidies	1 855	861	2 803
8. Short-term prepayments received	768	2 639	3 749
10. Estimated payables	2 607	4 724	4 689
11. Other payables	161	119	210
C. I. Other liabilities	3 181	9 084	3 123
1. Accrued expenses	3 131	9 074	3 108
2. Deferred income	50	10	15
Control number	1 477 262	1 527 374	1 649 348

PROFIT AND LOSS ACCOUNT

structured by the nature of expense method

Year ended 31.12.2004 (in CZK thousand)

	2004	2003	2002
II. Production	163 190	143 894	181 014
1. Sales of own products and services	163 190	143 894	181 014
B. Purchased consumables and services	65 804	43 373	50 024
1. Consumed material and energy	1 012	878	1 095
2. Services	64 792	42 495	48 929
+ Added value	97 386	100 521	130 990
C. Staff costs	58 395	55 842	53 233
1. Payroll costs	39 508	37 636	35 564
2. Remuneration to members of statutory bodies	2 265	2 191	2 594
3. Social security and health insurance costs	13 665	13 137	12 340
4. Social costs	2 957	2 878	2 735
D. Taxes and charges	14 153	127	270
E. Depreciation of intangible and tangible fixed assets	9 979	20 597	26 200
III. Sales of fixed assets and material	209	209 107	229
1. Sales of fixed assets	209	209 107	229
F. Net book value of fixed assets and material sold		365 709	83
1. Net book value of sold fixed assets		365 709	83
G. Change in reserves and provisions relating to operating activities and complex deferred expenses	-14 508	-177 942	177 012
IV. Other operating income	4 626	2 586	2 739
H. Other operating expenses	2 111	3 655	756
* Operating profit or loss	32 091	44 226	-123 605
VI. Proceeds from the sale of securities and investments	88 600		
J. Cost of securities and investments sold	88 059		
VIII. Income from current financial assets	1 944	344	405
K. Costs of financial assets	111		
X. Interest income	8 497	2 911	3 279
XI. Other financial income	2	115	243
O. Other financial expenses	704	294	2 771
* Financial profit or loss	10 169	3 076	1 156
Q. Income tax on ordinary activities	11 791	9 095	2 418
1. - due	8 053	12 835	15 627
2. - deferred	3 738	-3 740	-13 209
** Profit or loss from ordinary activities	30 469	38 207	-124 867
XIII. Extraordinary income			1 876
R. Extraordinary expenses			385
S. Income tax on extraordinary activities			189
1. - due			189
* Extraordinary profit or loss			1 302
*** Profit or loss for the current period (+/-)	30 469	38 207	-123 565
**** Profit or loss before tax	42 260	47 301	-120 958
Control number	1 003 640	1 730 963	551 734

CASH FLOW STATEMENT Year ended 31.12.2004**(in CZK thousand)**

	2004	2003	2002
P. Opening balance of cash and cash equivalents	1 630	3 939	10 590
CASH FLOWS FROM ORDINARY ACTIVITIES			
Z. Profit or loss from ordinary activities before tax	42 260	47 302	-122 449
A.1. Adjustments for non-cash transactions	-13 244	-3 644	200 886
A.1.1. Depreciation of fixed assets	9 979	20 597	26 215
A.1.2. Change in provisions and reserves	-14 517	-177 942	178 097
A.1.3. Profit/(loss) on the sale of fixed assets	-209	156 602	-147
A.1.5. Interest expense and interest income	-8 497	-2 901	-3 279
A.* Net operating cash flow before changes in working capital	29 016	43 658	78 437
A.2. Change in working capital	105 357	-3 207	-49 855
A.2.1. Change in operating receivables and other assets	186 308	12 377	1 373
A.2.2. Change in operating payables and other liabilities	14 300	-1 753	-1 778
A.2.4. Change in current financial assets	-95 252	-13 830	-49 450
A.** Net cash flow from operations before tax and extraordinary items	134 373	40 451	28 582
A.4. Interest received	5 718	2 901	3 279
A.5. Income tax paid from ordinary operations	-4 555	-15 340	-14 459
A.6. Receipts and expenditures relating to extraordinary activities			611
A.*** Net operating cash flows	135 536	28 012	18 013
CASH FLOWS FROM INVESTING ACTIVITIES			
B.1. Fixed assets expenditures	-93 076	-1 239	-21 420
B.2. Proceeds from fixed assets sold	209		230
B.*** Net investment cash flows	-92 867	-1 239	-21 190
CASH FLOW FROM FINANCIAL ACTIVITIES			
C.2. Impact of changes in equity	-40 912	-29 082	-3 474
C.2.1. Cash increase in share capital	-40 912	-29 082	
C.2.5. Payments from capital funds			-3 474
C.*** Net financial cash flows	-40 912	-29 082	-3 474
F. Net increase or decrease in cash and cash equivalents	1 757	-2 309	-6 651
R. Closing balance of cash and cash equivalents	3 387	1 630	3 939

STATEMENT OF CHANGES IN EQUITY as of 31.12.2004**(in CZK thousand)**

	Share capital	Capital funds	Statutory funds	Accumulated profits brought forward	Accumulated losses brought forward	Profit or loss for the current period	Total equity
Balance at 31 December 2001	365 741	35 998	25 656	17 154	-	21 241	465 790
Distribution of profit or loss			4 542	16 704	-	-144 806	-123 560
Change in share capital	-3 479						-3 479
Balance at 31 December 2002	362 262	35 998	30 198	33 858		-123 565	338 751
Distribution of profit or loss					-123 565	123 565	
Change in share capital	-29 082						-29 082
Payments from capital funds			-22 686	22 686			
Profit or loss for the current period						38 207	38 207
Balance at 31 December 2003	333 180	35 998	7 512	56 544	-123 565	38 207	347 876
Distribution of profit or loss			1 911			-1 911	
Change in share capital	-40 912						-40 912
Settlement of accumulated loss				-56 544	92 840	-36 296	
Profit or loss for the current period						30 469	30 469
Balance at 31 December 2004	292 268	35 998	9 423		-30 727	30 469	337 431

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2004

Hodnota ukazatele PB
vlastního jmění připadající na
trh oceňuje akcií pod úrovní její
cele P/BV na Burze cenných pap
Tab 9.1. Hodnota ukazate



1. GENERAL INFORMATION

1.1. Incorporation and Description of the Business

Burza cenných papírů Praha, a.s. (hereinafter the "Company" or the "Prague Stock Exchange") with its registered office at Rybná 14, Prague 1, was incorporated through a Memorandum of Association dated 24 July 1992 by 12 Czechoslovak banks and five brokerage firms.

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

The principal subjects of operations of the Company are as follows

- To organise, in accordance with the generally applicable legal regulations, Stock Exchange Rules and Stock Exchange Regulations, on pre-determined premises and at a set daily time through authorised persons, trading with registered securities, investment instruments that are not securities, and other capital market instruments to the extent of the licence issued by the Securities Commission which applies to the following capital market instruments:

a) Options in terms of Section 8a (1) (g) of the Securities Act, the value of which is derived from the value in the rate index composed of shares listed on a public market in the Czech Republic, where none of the options has a weighting in excess of 35 percent in this index;

b) Futures in terms of Section 8a (1) (d) of the Securities Act, the value of which is derived from the value in the rate index composed of shares listed on a public market in the Czech Republic, where none of the futures has a weighting in excess of 35 percent in this index;

c) Futures in terms of Section 8a (1) (d) of the Securities Act, the value of which is derived from an interest rate commonly used on a financial market in the Czech Republic; and

d) Futures in terms of Section 8a (1) (d) of the Securities Act, the value of which is derived from the value of a basket of not less than two government bonds pursuant to Section 18 (1) of the Bonds Act 530/1990 Coll., as amended, listed on a public market in the Czech Republic

- To ensure publication of the results of stock exchange transactions;
- To render services involving the provision of information, even information that relates to securities that have not been listed on a public market under the conditions set out in the Stock Exchange Act 214/1992 Coll., as amended, to the extent of the licence issued by the Securities Commission and provided that the provision of the information is set out in the Stock Exchange Rules;
- To undertake advisory, educational and other activities relating to the principal operations;
- To provide software;
- To purchase goods for sale and resale;
- To undertake training activities;
- To mediate educational activities;
- To perform technical activities related to information technologies; and
- To perform publishing activities.

The Company's share capital recorded in the Register of Companies as of 31 December 2004 was increased to CZK 365,741 thousand and split into 365,741 shares of registered stock with a nominal value of CZK 1,000. None of the shareholders has an equity interest greater than 20 percent.

The Company's financial statements have been prepared as of and for the year ended 31 December 2004.

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

At the General Meeting held on 24 June 2004, shareholders resolved to decrease the issued share capital by CZK 51,949 thousand to CZK 313,792 thousand. On the basis of this resolution, the Company filed a 'petition to initiate proceedings to record the resolution of the General Meeting in the Register of Companies' on 27 July 2004. The capital decrease was registered by the Register of Companies of the Municipal Court in Prague on 17 February 2005.

1.3. Organisational Structure of the Company

The following units report directly to the Chief Executive:

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

1.4. Group Identification

As of 31 December 2004, the Prague Stock Exchange had two subsidiary companies.

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

In November 2004, the Prague Stock Exchange increased UNIVYC's share capital to CZK 100,000 thousand through an investment of CZK 90,000 thousand. All of the new registered shares have a nominal value of CZK 1,000. By increasing the share capital, the condition for operating the central depository pursuant to the Capital Markets Act was met.

In 2001, the Company and UNIVYC, a.s. entered into a controlling agreement which was revoked at the end of the reporting period, that is, 31 December 2004, following agreement of both entities.

On 21 November 2003, the Company, as the sole founder, decided to form a joint stock company, Centrální depozitář, a.s., with the registered office at Rybná 14, Prague 1. The share capital of CZK 3,000 thousand consists of 3,000 shares with a nominal value of CZK 1,000. The sole shareholder is the Prague Stock Exchange. The company was recorded in the Register of Companies held by the Municipal Commercial Court in Prague on 3 March 2004. The company's business includes 'activities of business, financial, organisational and economic advisors'.

1.5. Board of Directors and Supervisory Board as of 31 December 2004

	Position	Name
Board of Directors	Chairman	Petr Koblíček
	Vice Chairman	Michael Jasanský *
	Members	Daniel Heler
		Petr Milev
		Peter Palečka
		Jan Sýkora
Supervisory Board	Chairman	Věslav Michalík
	Members	Martin Aschenbrenner
		Roman Klaban
		Jiří Klumpar
		Jan Struž
		Petra Wendelová

*held the position till 16 February 2005, Daniel Heler was approved by the Stock Exchange Chamber to assume the position from 21 February 2005.

In the year ended 31 December 2004, the following changes were made to the composition of the Company's Board of Directors and Supervisory Board:

Board of Directors:

Position	Original member	New member	Date of change
Chairman	Dušan Baran		29 Feb 2004
Member		Daniel Heler	24 Mar 2004
	Pavel Hollmann		19 May 2004
	Tomáš Zralý		23 Jun 2004
		Petr Koblíček	23 Jun 2004
	Jan Blaško		20 Oct 2004
		Petr Milev	21 Oct 2004

Supervisory Board:

Position	Original member	New member	Date of change
Member	Tomáš Špurný		21 Apr 2004
		Roman Klaban	24 Jun 2004

2. BASIS OF ACCOUNTING AND GENERAL ACCOUNTING PRINCIPLES

The Company's accounting books and records are maintained and the financial statements were prepared in accordance with the Accounting Act 563/1991 Coll., as amended; the Regulation 500/2002 Coll. which provides implementation guidance on certain provisions of the Accounting Act for reporting entities that are businesses maintaining double-entry accounting records, as amended by the Regulation 472/2003 Coll.; and Czech Accounting Standards for Businesses.

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

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

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

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

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

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

The financial statements were prepared as of the balance sheet date of 31 December 2004.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Tangible Fixed Assets

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

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

Purchased tangible fixed assets are valued at acquisition cost.

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

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

	Number of years
Computers	4
Vehicles	4
Furniture and fixtures	8-12
Other	4-8

Other tangible fixed assets composed of individual movable assets with an acquisition cost greater than CZK 10,000 and lower than CZK 40,000 and an estimated useful life greater than one year which are recorded in a stand-alone subledger account of tangible fixed assets are depreciated according to the estimated useful life as assessed by an expert.

Provisioning

During the year ended 31 December 2004, no provisions were made against tangible fixed assets based on the results of the inventory taking.

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

3.2. Intangible Fixed Assets

Intangible fixed assets include assets with an estimated useful life greater than one year and an acquisition cost greater than CZK 60,000 on an individual basis.

Purchased intangible fixed assets are stated at cost.

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

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

	Number of years
Software	4

Other intangible fixed assets composed of software with a cost greater than CZK 10,000 and lower than CZK 60,000 and an estimated useful life greater than one year which are recorded in a stand-alone subledger account of intangible fixed assets are amortised according to the estimated useful life as assessed by an expert.

Provisioning

During the year ended 31 December 2004, no provisions were made against intangible fixed assets.

3.3. Non - Current Financial Assets

Securities and equity investments are carried at cost upon acquisition.

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

At the balance sheet date, equity investments are stated at acquisition cost.

3.4. Current Financial Assets

Current financial assets are carried at cost upon acquisition.

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

3.5. Derivatives

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

3.6. Inventory

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

3.7. Receivables

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

Provisioning

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

3.8. Trade Payables

Upon origination trade payables are stated at their nominal value.

3.9. Loans**Valuation**

Loans are reported at nominal value.

The portion of long-term loans maturing within one year from the balance sheet date is included in short-term loans.

3.10. Reserves

Reserves are intended to cover future obligations or expenditure, the nature of which is clearly defined and which are either likely to be incurred or certain to be incurred, but which are uncertain as to the amount or the date on which they will arise.

3.11. Foreign Currency Translation

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

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

3.12. Finance Leases

The Company held no assets under finance lease agreements during the year ended 31 December 2004.

3.13. Taxation

3.13.1. Current Tax Payable

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

3.13.2. Depreciation of Fixed Assets for Tax Purposes

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

3.13.3. Deferred Taxation

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

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

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

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

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

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

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

3.14. Impairment

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

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

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

3.15. Treasury Shares

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

The Company is obliged to repurchase treasury shares if the Stock Exchange Chamber does not approve the transfer to another party. The Company is required to sell the shares acquired by the end of 2004 within a three-year period, if it fails to do so, it is obliged to withdraw the treasury shares from circulation and reduce its share capital balance by their nominal value. On 21 October 2004, the General Meeting approved a resolution where the shares acquisition period is 18 months.

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

3.16. Revenue Recognition

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

3.17. Use of Estimates

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

3.18. Extraordinary Expenses and Income

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

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

The principal changes are as follows:

With effect from 2004, the Company has introduced a minimum cost of CZK 10,000 for tangible fixed assets with acquisition costs lower than CZK 40,000 and an estimated useful life greater than one year which are recorded in a stand-alone subledger account. These assets are depreciated according to the estimated useful life as assessed by an expert. Tangible assets up to CZK 10,000 are maintained in the underlying operating records, charged to expenses through the 'Consumables' account and maintained off balance sheet.

With effect from 2004, the Company has introduced a minimum cost of CZK 10,000 for intangible fixed assets with acquisition costs lower than CZK 60,000 and an estimated useful life greater than one year which are recorded in a stand-alone subledger account. These assets are amortised according to the estimated useful life as assessed by an expert. Intangible assets up to CZK 10,000 are maintained in the underlying operating records, charged to expenses through the 'Consumables' account and maintained off balance sheet.

3.20. Cash Flow Statement

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

(CZK '000)	31 Dec 2004	31 Dec 2003	31 Dec 2002
Cash on hand and cash in transit	25	28	26
Cash at bank	3 362	1 602	3 913
Total cash and cash equivalents	3 387	1 630	3 939

Cash flows from operating, investment and financial activities presented in the cash flow statement are not offset.

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

4.1. Fixed Assets

4.1.1. Intangible Fixed Assets

Cost (CZK '000)	Balance at 31 Dec 2002	Additions	Disposals	Balance at 31 Dec 2003	Additions	Disposals	Balance at 31 Dec 2004
Software	79 038	1 791		80 829	1 350		82 179
- software costing more than CZK 60 thousand	75 747	1 239		76 986	1 334		78 320
- software costing less than CZK 60 thousand	3 291	552		3 843	16		3 859
Other intangible fixed assets	160			160			160
Total	79 198	1 791		80 989	1 350		82 339

Accumulated Amortisation (CZK '000)	Balance at 31 Dec 2002	Additions	Disposals	Balance at 31 Dec 2003	Additions	Disposals	Balance at 31 Dec 2004
Software	72 493	4 506		76 999	2 249		79 248
- software costing more than CZK 60 thousand	69 202	4 180		73 382	2 182		75 564
- software costing less than CZK 60 thousand	3 291	326		3 617	67		3 684
Other intangible fixed assets	160			160			160
Total	72 653	4 506		77 159	2 249		79 408

Net Book Value

(CZK '000)	Balance at 31 Dec 2002	Balance at 31 Dec 2003	Balance at 31 Dec 2004
Software	6 545	3 830	2 931
- software costing more than CZK 60 thousand	6 545	3 604	2 756
- software costing less than CZK 60 thousand		226	175
Total	6 545	3 830	2 931

4.2. Tangible Fixed Assets

Additions to Intangible Fixed Assets

In 2004, additions to intangible fixed assets of CZK 1,350 thousand predominantly comprised supplies of MS Office 2003 Standard Win 32, MS Office 2003 Pro Win 32 and Legato Networker SQL software.

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

(CZK '000)	Amortisation
2002	12 850
2003	4 506
2004	2 249

Cost (CZK '000)	Balance at 31 Dec 2002			Balance at 31 Dec 2003			Balance at 31 Dec 2004
		Additions	Disposals		Additions	Disposals	
Land	71 856		71 856				
Buildings	358 824		358 824				
Individual movable assets	200 490	21 342	127 925	93 907	1 725	15 561	80 071
- Machinery and equipment	177 808	18 821	126 922	69 707	907	14 744	55 870
- Vehicles	2 874			2 874			2 874
- Furniture and fixtures	7 675	103	193	7 585			7 585
- Low value tangible FA	12 133	2 418	810	13 741	818	817	13 742
Tangible FA under construction	15 397		15 397				
Total	646 567	21 342	574 002	93 907	1 725	15 561	80 071

Accumulated Depreciation and Provisions (CZK '000)	Balance at 31 Dec 2002			Balance at 31 Dec 2003			Balance at 31 Dec 2004
		Additions	Disposals		Additions	Disposals	
Land							
Buildings	235 092	295 944	531 036				
Individual movable assets	187 494	14 001	127 926	73 569	7 730	15 561	65 738
- Machinery and equipment	166 416	11 454	126 922	50 948	6 317	14 744	42 521
- Vehicles	2 066	515		2 581	191		2 772
- Furniture and fixtures	6 879	540	193	7 226	121		7 347
- Low value tangible FA	12 133	1 491	810	12 814	1 101	817	13 098
Total	422 586	309 944	658 961	73 569	7 730	15 561	65 738

Net Book Value (CZK '000)	Balance at 31 Dec 2002	Balance at 31 Dec 2003	Balance at 31 Dec 2004
Land	71 856		
Buildings	123 732		
Individual movable assets	12 996	20 338	14 333
- Machinery and equipment	11 392	18 759	13 349
- Vehicles	808	293	102
- Furniture and fixtures	796	359	238
- Low value tangible FA		927	644
Tangible FA under construction	15 397		
Total	223 981	20 338	14 333

Additions to Tangible Fixed Assets

In 2004, additions to tangible fixed assets of CZK 1,725 thousand consisted of supplies of computers, copiers and scanners made during 2004.

In 2003, the Company added predominantly AS400 computers.

Disposals of Tangible Fixed Assets

In 2004, disposals of tangible fixed assets of CZK 15,561 thousand represented predominantly obsolete computers for which the Company had no use.

In the year ended 31 December 2003, the Company sold the Stock Exchange Palace building together with the underlying plot of land and infrastructure.

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

(CZK '000)	Depreciation
2002	13 442
2003	16 092
2004	7 730

4.3. Non-Current Financial Assets

The Company is the sole owner of UNIVYC, a.s. and Centrální depozitář, a.s. The share capital of UNIVYC, a.s. and Centrální depozitář, a.s. amounts to CZK 100,000 thousand and CZK 3,000 thousand, respectively. Further details are set out in Note 1.4.

(CZK '000)	Purchase cost		Cost				
	Balance at 31 Dec 2002	Additions in 2003	Balance at 31 Dec	Additions in 2004	Disposals in 2004	Revaluation at 31 Dec 2004	31 Dec 2004
UNIVYC, a.s.	100	0	100	90 000	0	0	90 100
Centrální depozitář, a.s.	0	3 000	3 000	0	0	0	3 000
Total	100	3 000	3 100	90 000	0	0	93 100

4.3.1. Non-Current Financial Assets Pledged as Security

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

4.4. Current Financial Assets

(CZK '000)	31 Dec 2004	31 Dec 2003	31 Dec 2002
Cash on hand	25	28	26
Cash in bank	3 362	1 602	3 913
Short-term securities	229 032	133 780	119 950
Total cash	232 419	135 410	123 889

In 2004, the receivable arising from the sale of the Stock Exchange Palace building was collected which impacted short-term securities.

4.5. Short-Term Receivables

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

(CZK '000)

Category	Balance at 31 Dec 2004	Balance at 31 Dec 2003	Balance at 31 Dec 2002
Trade receivables	18 278	214 577	17 550
Customers	18 275	214 533	12 808
Expenses to be distributed	3	44	1 024
Due from the Magistrate of the City of Prague	0	0	3 718
Operating prepayments made	3 020	4 513	4 702
Tax receivables	6 354	956	0
Estimated assets	19	2 146	1 436
Other receivables + social security	19	38	21
Total short-term receivables, net	27 690	222 230	23 709

The increase in receivables from customers is attributable to the amount of CZK 209,100 thousand due from Burzovní palác, s.r.o. in connection with the sale of the building which was settled in 2004.

None of the receivables have been collateralised.

4.5.1. Aging of Trade Receivables

(CZK '000)

Year	Category	Before due date	Past due date					Total past due date	Total
			0 - 60 days	61 - 180 days	181 - 360 days	1 - 2 years	2 and more years		
2004	Short-term	18 257	21	-	-	24	6 333	6 378	24 635
	Provisions	0	-	-	24	6 333	6 357	6 357	
	Net	18 257	21	-	-	0	0	21	18 278
2003	Short-term	214 574	2	25	-	7	7 402	7 436	222 010
	Provisions	0	24	-	7	7 402	7 433	7 433	
	Net	214 574	2	1	-	0	0	3	214 577
2002	Short-term	17 358	185	7	-	1 329	8 027	9 548	26 906
	Provisions	0	0	0	-	1 329	8 027	9 356	9 356
	Net	17 358	185	7	-	0	0	192	17 550

4.5.2. Net Intercompany Receivables

(CZK '000)

Name of the entity	Balance at 31 Dec 2004	Balance at 31 Dec 2003	Balance at 31 Dec 2002
Short-term receivables			
UNIVYC	13 268	306	3 001
Centrální depozitář	7	31	
Total short-term receivables	13 275	337	3 001

Intercompany receivables are before their due dates.

4.5.3. Estimated Receivables

(CZK '000)	Balance at 31 Dec 2004	Balance at 31 Dec 2003	Balance at 31 Dec 2002
Estimated receivables	19	2 146	1 436
Interest on a blocked account (sale of building)		420	
Unbilled information services		30	
Unbilled rental services	19	1 608	1 436
Other		88	

The decrease in unbilled rental services is caused by the sale of the building. The Company has become a lessee and does not therefore rent out premises to such an extent.

4.6. Temporary Assets

(CZK '000)	Balance at 31 Dec 2004	Balance at 31 Dec 2003	Balance at 31 Dec 2002
Deferred expenses	4 474	3 857	1 591
Rental of non-residential premises	2 538	2 618	303
Insurance	662	634	620
Other services	1 274	605	668
Accrued income	2 779	1 161	2 411
Stock exchange information	1 270	1 138	1 872
Proceeds of insurance claims			494
Interest	9	13	45
Interest income on government bonds	1 500		
Other		10	
Total temporary assets	7 253	5 018	4 002

The year-on-year increase in temporary assets in 2004 is caused by the sale of the building and by the fact that the Company has become a lessee. The Company has also entered into new contracts for software maintenance. Since 2004, Komerční banka has been the securities portfolio manager, which has given rise to interest income on government bonds due in 2005.

4.7. Shareholders' Equity

4.7.1. Share Capital

Changes in Share Capital

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

Treasury Shares

Set out below is the development and structure of shares of stock exchange companies purchased and sold by the Company during 2004:

(CZK '000)	Nominal value of shares	Purchase cost of shares	Shares purchased from	Shares sold to
Period to				
31 Dec 2000	18 207	18 207		
31 Dec 2001	19 207	19 207		
31 Dec 2002	22 686	22 686		
31 Dec 2003	71 156	51 768		
July	50	45	KOMERIO, brokerský dům Konečný	
October	1 000	750	Komero, s.r.o	
	15 000	11 250	Union banka, a.s. under liquidation	
November	28 000	28 000	BODY INTERNATIONAL BROKERS	
December	1 156	867	EASTBOKERS	
May	-1 900	-1 900		FIO burz.spol.
August	-14 026	-14 026		Burz.spol.ICEBERG
	-100	-100		Dynamic Capital Invest
	-1 500	-1 500		EB Brokes
	-15	-15		Všeob. úvěrová banka
	-666	-666		LIFOX
	-1 000	-1 000		I-Tech Capital
31 Dec 2004	97 155	73 473		

4.7.2. Profit for the Year Ended 31 December 2004

The Company generated a net profit of CZK 30,469 thousand for the year ended 31 December 2004.

The net profit was arrived at as follows:

(CZK '000)	
Profit before taxation	42 260
Due tax	-8 053
of which: current period	-8 959
additional tax return	906
Deferred tax	-3 738
Net profit	30 469

Set out is the proposed allocation of the net profit generated for the year ended 31 December 2004:

(CZK '000)	
Mandatory allocation to the reserve fund	1 524
Settlement of losses brought forward	6 500
Unappropriated profit for the year	22 445

4.7.3. Statutory Reserve Fund

(CZK '000)	Reserve fund - statutory	Reserve fund - treasury shares	Total Reserve fund
31 Dec 2002	7 512	22 686	30 198
Creation			
Use		22 686	22 686
31 Dec 2003	7 512	0	7 512
Creation	1 911		1 911
Use			
31 Dec 2004	9 423	0	9 423

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

In 2004, the statutory reserve fund was increased by the allocation from the profit for the year ended 31 December 2003.

4.8. Reserves and Provisions

4.8.1. Reserves

(CZK '000)	Reserves under special legislation	Other reserves	Total reserves
Balance at 31 Dec 2001	4 403	7 940	12 343
Creation of reserves	1 468	11 855	13 323
Release of reserves		7 574	7 574
Balance at 31 Dec 2002	5 871	12 221	18 092
Creation of reserves		4 112	4 112
Release of reserves	5 871	1 910	7 781
Balance at 31 Dec 2003	0	14 423	14 423
Creation of reserves	0	981	981
Release of reserves	0	14 423	14 423
Balance at 31 Dec 2004	0	981	981

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

Other reserves from 2003 created for real estate transfer tax (CZK 14,041 thousand), costs arising from the verdict of the District Court for Prague 1 dated 8 October 2001, in which the court held that the notice of termination of employment given by the Company was invalid (CZK 366 thousand) and costs for estimated penalties (CZK 16,000) were reversed following the materialisation of these events.

In 2004, other reserves were recognised in respect of:

- Costs arising from the verdict of the Municipal Court for Prague 1 dated 28 January 2005, in which the court held that the notice of termination of employment given by the Company on 26 July 2002 was invalid. A reserve of CZK 981 thousand equivalent to the salary compensation, social security and health insurance has been created.

4.8.2. Provisions

(CZK '000)	Provisions for trade receivables	Provisions for other receivables	Total provisions for receivables
31 Dec 2001	10 305	137	10 442
Creation	2		2
Release	951		951
31 Dec 2002	9 356	137	9 493
Creation	30		30
Release	1 953	137	2 090
31 Dec 2003	7 433	0	7 433
Creation	0	10	10
Release	1 076		1 076
31 Dec 2004	6 357	10	6 367

4.9. Payables**4.9.1. Long-Term Payables**

The Company records no long-term payables.

4.10. Short-Term Payables**4.10.1. Aging of Short-Term Trade Payables**

Year	Category	Before due date	Past due date				Total past due date	Total
			0 - 90 days	91 - 180 days	181 - 360 days	1 - 2 years		
2004	Short-term	23 647					0	23 647
2003	Short-term	10 006					0	10 006
2002	Short-term	6 096	125				125	6 221

(CZK '000)

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

(CZK '000)	Balance at 31 Dec 2004	Balance at 31 Dec 2003	Balance at 31 Dec 2002
Category			
Trade payables	23 647	10 006	6 221
Suppliers - Czech Republic	22 733	9 943	6 111
Suppliers - cross-border	856		60
Other payables	58	63	50
Prepayments received	768	2 639	3 749
Estimated payables	2 607	4 724	4 689
Tax liabilities	1 855	861	2 803
Payables to staff	3 982	2 276	2 645
Social security and health insurance payables	3 115	1 658	1 943
Other payables	161	119	210
Total short-term payables	36 135	22 283	22 260

4.10.2. Intercompany Payables

(CZK '000)			
Name of the entity	Balance at 31 Dec 2004	Balance at 31 Dec 2003	Balance at 31 Dec 2002
UNIVYC	18 188	625	775
Centrální depozitář	0	0	0
Total short-term payables	18 188	625	775

4.10.3. Collateralised Payables or Otherwise Secured

The Company maintains no collateralised payables or payables otherwise secured.

4.10.4. Long-Term Bank Loans

The Company maintained no long-term or short-term loans or borrowings in the year ended 31 December 2004.

4.11. Deferred Tax and Current Tax Payable

The deferred tax asset/liability is analysed as follows:

Deferred Tax Arising from

(CZK '000)			
	31 Dec 2004	31 Dec 2003	31 Dec 2002
Accumulated depreciation and amortisation of fixed assets	-462	-850	-9 704
Provisions against fixed assets			27 485
Receivables			227
Reserves	255	3 931	3 675
Social security and health insurance	209	659	
Deferred tax asset/liability	2	3 740	21 683
Adjustment to reflect uncertain realisation of a portion of the deferred tax asset		0	21 683
Total	2	3 740	0
Impact on the profit or loss	3 738	-3 740	-13 209

4.12. Income Tax on Ordinary and Extraordinary Activities

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

(CZK '000)			
	31 Dec 2004	31 Dec 2003	31 Dec 2002
Profit before tax	42 260	47 302	-120 958
Tax at the domestic income tax rate of 28 percent (31 percent)	11 833	14 663	-37 497
Tax effect of expenses that are not deductible in determining taxable profit	2 426	52 460	59 926
Tax impact of income that is not subject to taxation	-5 290	-53 799	-3 282
Tax effect of deductible items	-9	- 549	- 94
Utilisation of tax losses not previously recognised			-3 426
Recognition of deferred tax	3 738	-3 740	-13 209
Additional taxes of prior years	-906	60	
Total income tax on ordinary and extraordinary activities	11 791	9 095	2 418

4.13. Details of Income

(CZK '000)	Year ended 31 Dec 2004			Year ended 31 Dec 2003			Year ended 31 Dec 2002		
	In-country	Cross-border	Total	In-country	Cross-border	Total	In-country	Cross-border	Total
Stock exchange fees	106 749		106 749	93 028		93 028	113 986		113 986
- Annual trading fees	17 560		17 560	18 480		18 480	21 450		21 450
- Listing fees	12 546		12 546	12 506		12 506	15 871		15 871
- Trading fees	76 643		76 643	62 042		62 042	76 665		76 665
Services relating to settlement	40 011		40 011	27 512		27 512	29 800		29 800
Other services	7 961	8 469	16 430	15 658	7 696	23 354	28 767	8 461	37 228
Total income from the sale of services	154 721	8 469	163 190	136 198	7 696	143 894	172 553	8 461	181 014

4.14. Related Party Transactions

4.14.1. Income Generated with Related Parties

(CZK '000)						
2004 Entity	Relation to the Company	Services	Other income	Financial income	Extra-ordinary income	Total
UNIVYC	Subsidiary	40 544	2 082			42 626
Centrální depozitář	Subsidiary	231				231
Total		40 775	2 082			42 857
2003						
Entity						
UNIVYC	Subsidiary	28 552				28 552
Other						
Total		28 552				28 552
2002						
Entity						
UNIVYC	Subsidiary	31 242				31 242
Other						
Total		31 242				31 242

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

4.14.2. Purchases

(CZK '000)

2004	Relation to the	Services	Total
Entity	Company		
UNIVYC	Subsidiary	31 072	31 072
Centrální depozitář	Subsidiary		
Total		31 072	31 072
2003			
Entity			
UNIVYC	Subsidiary	7 500	7 500
Other			
Total		7 500	7 500
2002			
Entity			
UNIVYC	Subsidiary	9 300	9 300
Other			
Total		9 300	9 300

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

4.15. Consumed Purchases

(CZK '000)

	Year ended	Year ended	Year ended
	31 Dec 2004	31 Dec 2003	31 Dec 2002
Consumption of material	1 012	878	1 090
Consumption of energy			5
Total consumed purchases	1 012	878	1 095

4.16. Services

(CZK '000)

	Year ended 31 Dec 2004	Year ended 31 Dec 2003	Year ended 31 Dec 2002
Repairs and maintenance	6 352	4 467	7 535
Travel expenses	418	1 110	884
Representation costs	263	270	242
Telephone, fax, internet	936	1 090	993
Low value intangible assets put to use	27		
Rental	13 632	4 901	15 444
Leasing	40		
Other services	43 124	30 657	23 831
Total	64 792	42 495	48 929

Other services principally include costs involved in settling transactions (CZK 31,072 thousand), advisory services and rental costs.

4.17. Other Operating Income

(CZK '000)	Year ended 31 Dec 2004	Year ended 31 Dec 2003	Year ended 31 Dec 2002
Contractual penalties and default interest	2 058	1 726	1 168
Grants received to offset costs			
Recoveries of receivables written off and transferred		783	150
Rental income arising from ownership of non-current financial assets			
Other operating income	2 568	77	1 421
Inventory surpluses, compensation for deficits and damage of operating assets			
Total other operating income	4 626	2 586	2 739

4.18. Other Operating Expenses

(CZK '000)	Year ended 31 Dec 2004	Year ended 31 Dec 2003	Year ended 31 Dec 2002
Gifts	2	3	6
Contractual penalties and default interest	4		
Other penalties and fines	21	1	30
Write-off of receivables and transferred receivables	91	1 564	717
Other operating expenses	1 993	2 087	3
Deficits and damage relating to operating activities			
Total other operating expenses	2 111	3 655	756

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

4.19. Proceeds from the Sale of Securities and Investments

(CZK '000)	Year ended 31 Dec 2004		Year ended 31 Dec 2003	
	Selling price	Net book value	Selling price	Net book value
Non-current financial assets				
Czech bonds	88 600			
Foreign bonds				
Total proceeds from the sale of securities and investments	88 600	0	0	0

4.20. Income from Current Financial Assets

(CZK '000)	Year ended 31 Dec 2004	Year ended 31 Dec 2003	Year ended 31 Dec 2002
Interest received from depository bills	424	344	405
Income from financial assets (portfolio revaluation)	1 520		
Total interest received	1 944	344	405

4.21. Securities and Investments Sold

	2004		2003	
	Selling price	Net book value	Selling price	Net book value
(CZK '000)				
Non-current financial assets				
Czech bonds				
Škoda Auto 7, 25/05	27 731	26 700		
Český Telecom 3,50/08	7 856	8 000		
CZ GB 5,70/06	52 472	50 000		
Foreign bonds				
Total expenses from financial assets	88 059	84 700	0	0

4.22. Interest Income

(CZK '000)	Year ended 31 Dec 2004	Year ended 31 Dec 2003	Year ended 31 Dec 2002
Interest on current bank accounts	9	22	37
Interest on deposit bank accounts	2 930	2 470	3 242
Portfolio - interest, accrued interest income, coupon	2 277		
Other interest received from other debtors (sale of the building)	3 281	419	
Total interest income	8 497	2 911	3 279

4.23. Other Financial Income

(CZK '000)	Year ended 31 Dec 2004	Year ended 31 Dec 2003	Year ended 31 Dec 2002
Foreign exchange gains	2	115	240
Other			3
Total	2	115	243

4.24. Other Financial Expenses

(CZK '000)	Year ended 31 Dec 2004	Year ended 31 Dec 2003	Year ended 31 Dec 2002
Foreign exchange losses	88	159	772
Banking charges	128	133	133
Banking charges - bank guarantee	18	2	
Banking charges - portfolio	470		
Other financial expenses			1 866
Total	704	294	2 771

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

4.25. Extraordinary Expenses and Income

The Company recorded no extraordinary expenses or income for the year ended 31 December 2004.

5. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES

5.1. Staff Costs and Number of Employees

The following tables summarise the average number of the Company's employees and management for the years ended 31 December 2004, 2003 and 2002:

(CZK '000)	Average recalculated headcount - 2004	Average recalculated headcount - 2003	Average recalculated headcount - 2002
Employees	44	46	48
Management	6	6	7
Total	50	52	55

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

(CZK '000)	Total staff costs - 2004	Total staff costs - 2003	Total staff costs - 2002
Staff costs of employees	56 130	53 651	50 639
Of which: management	15 307	14 193	13 646
Staff costs of Board of Directors and Supervisory Board	2 265	2 191	2 594
Total staff costs	58 395	55 842	53 233

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

5.2. Loans, Borrowings, and Other Benefits Provided

During the years ended 31 December 2004, 2003 and 2002 the members of the Company's Board of Directors, Supervisory Board and management received the following loans and bonuses in addition to their basic salaries:

(CZK '000)	Board of Directors	Supervisory Board	Management
2004			
Life and pension insurance contributions			836
Bonuses	1 547	718	5 501
Cars/other movable and immovable assets to be used for private purposes (the figure increases the tax base of employees)			192
Other benefits			133
Total	1 547	718	6 662

(CZK '000)	Board of Directors	Supervisory Board	Management
2003			
Life and pension insurance contributions			915
Bonuses	1 446	745	4 113
Cars/other movable and immovable assets to be used for private purposes (the figure increases the tax base of employees)			281
Other benefits			111
Total	1 446	745	5 420

(CZK '000)	Board of Directors	Supervisory Board	Management
2002			
Life and pension insurance contributions			898
Bonuses	1 827	767	3 083
Cars/other movable and immovable assets to be used for private purposes (the figure increases the tax base of employees)			252
Other benefits			104
Total	1 827	767	4 337

6. CONTINGENT LIABILITIES AND OFF BALANCE SHEET COMMITMENTS

Legal Disputes

As of 31 December 2004, the Company was involved in no legal dispute, the outcome of which would significantly impact the Company's financial statements.

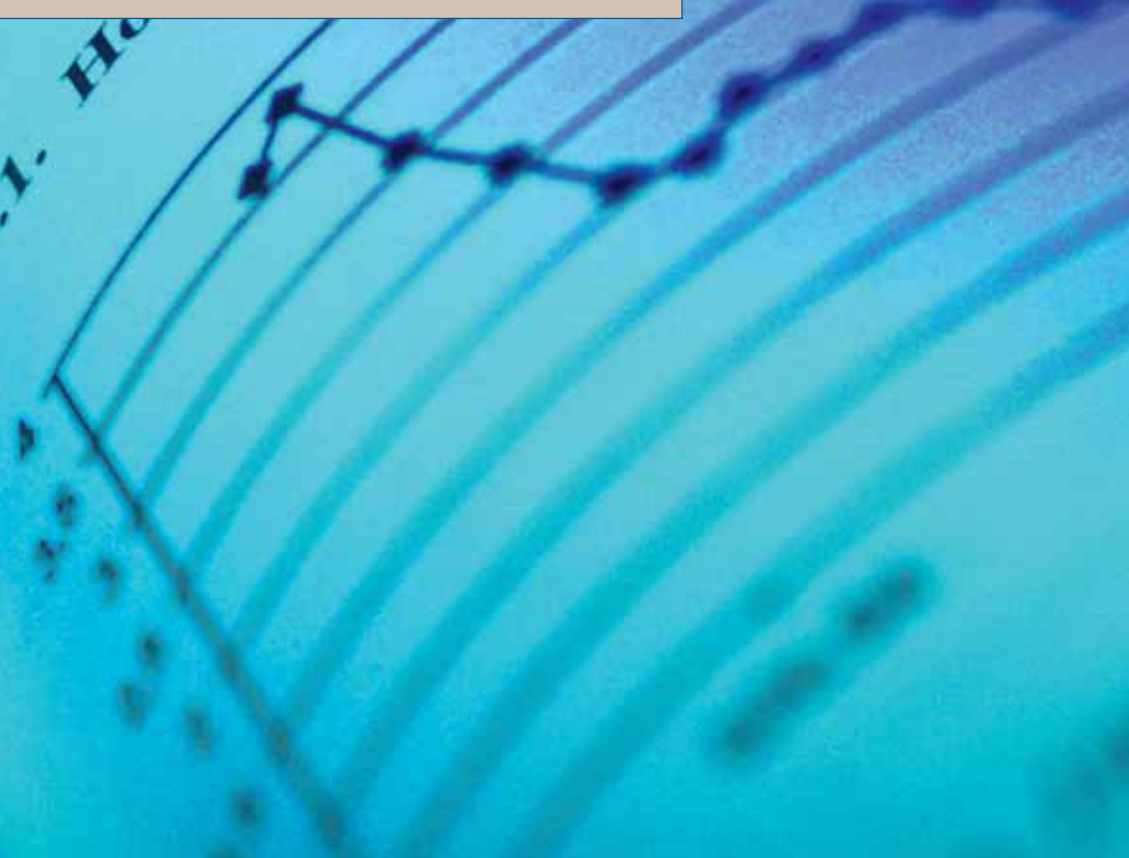
7. POST BALANCE SHEET EVENTS

No significant events occurred after the balance sheet date which would have a financial impact on the Company. On 17 February 2005, the Register of Companies of the Municipal Court in Prague recorded the reduction of the share capital (refer to Note 1.2.).

Consolidated Financial Part

Metody
vlastní
trh ocen
tele P/BV

Graf 9.1. HIC





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

Deloitte Touche s. r. o.
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Registered at the Municipal Court
in Prague, Section C, File 24349
IČ: 49620592
DIČ: CZ49620592

Having its registered office at: Praha 1, Rybná 14/682

Identification number: 471 15 629

Principal activities: Organising, in accordance with the generally applicable legal regulations, Stock Exchange Rules and Stock Exchange Regulations, on pre-determined premises and at a set time through authorised persons, trading with registered securities, investment instruments that are not securities, and other capital market instruments to the extent of the licence issued by the Securities Commission

We have audited the accompanying consolidated balance sheets of Burza cenných papírů Praha, a.s. (the "Company") and its subsidiaries (the "Group") as of 31 December 2004 and 2003, and the related statements of income, cash flows and changes in equity for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2004 and 2003, and the results of its operations, cash flows and changes in equity for the years then ended in accordance with International Financial Reporting Standards.

In Prague on 18 April 2005

Audit firm:

Deloitte s.r.o.

Represented by:

Michael Jennings, with power of attorney

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2004

	Note	31 December 2004	31 December 2003
		CZK '000	CZK '000
CURRENT ASSETS			
Cash	5	139 367	30 529
Trade receivables (net)	6	22 264	227 701
Securities held for trading	7	200 852	-
Short-term securities held to maturity	8	128 025	228 010
Other current assets	9	10 526	8 083
Total current assets		501 034	494 323
NON-CURRENT ASSETS			
Property, plant and equipment (net)	10	14 768	21 582
Intangible fixed assets (net)	11	2 949	3 867
Long-term receivables	12	198	3 847
Total non-current assets		17 915	29 296
TOTAL ASSETS		518 949	523 619
CURRENT LIABILITIES			
Trade payables	13	12 405	14 499
Payables to partners and associations	14	97 239	86 474
Taxes payable	23	8 442	1 194
Other payables	15	21 665	30 217
Total current liabilities		139 751	132 384
NON-CURRENT LIABILITIES			
Long-term payables	16	3 601	16 449
Total non-current liabilities		3 601	16 449
SHAREHOLDERS' EQUITY			
Share capital	17	365 741	384 948
Treasury shares	17	(73 473)	(51 768)
Shareholders' funds and undistributable reserves	17	59 856	57 902
Retained earnings/(accumulated losses)		23 473	(16 296)
Total shareholders' capital		375 597	374 786
LIABILITIES AND SHAREHOLDERS' EQUITY		518 949	523 619

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	31 December 2003 CZK '000	31 December 2002 CZK '000
Revenues	17	183 282	163 737
Services	18	(49 420)	(46 755)
Material	18	(1 953)	(1 425)
Staff costs	19	(76 737)	(72 545)
Depreciation and amortisation	20	(10 490)	(21 329)
Operating income	21	4 927	18 130
Profit from operating activities		49 609	39 813
Financial income		10 093	2 495
Profit before tax	22	59 702	42 308
Income tax		(17 977)	(9 476)
Profit/(loss) after tax	23	41 725	32 832

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2004

	Share capital CZK '000	Treasury shares CZK '000	Capital funds CZK '000	Retained earnings/ (accumulated losses) CZK '000	Total CZK '000
31 December 2002	384 948	(22 686)	80 564	(71 790)	371 036
Transfer to retained earnings	-	-	(22 662)	22 662	-
Treasury shares	-	(29 082)	-	-	(29 082)
Net profit/(loss)	-	-	-	32 832	32 832
31 December 2003	384 948	(51 768)	57 902	(16 296)	374 786
Transfer to retained earnings	-	-	1 956	(1 956)	-
Treasury shares	(19 207)	(21 707)	-	-	(40 914)
Net profit/(loss)	-	-	-	41 725	41 725
Other	-	2	(2)	-	-
31 December 2004	365 741	(73 473)	59 856	23 473	375 597

No dividends were declared in the years ended 31 December 2004 and 2003. The decrease in the share capital is due to the withdrawal of treasury shares from circulation. Treasury shares were reduced by the withdrawn shares and increased by the purchases of treasury shares during 2004.

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

	31 December 2004	31 December 2003
	CZK '000	CZK '000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before taxes	59 702	42 308
Adjustment for non-cash transactions		
Depreciation and amortisation, change in provisioning	10 490	21 329
Profit on the sale of tangible and intangible fixed assets	(14 783)	(21 342)
Other non-cash transaction	(9 152)	(3 248)
Operating profit before taxes and changes in working capital	46 257	39 046
Change in accounts receivable	205 439	11 487
Change in securities held for trading	(200 852)	-
Change in accounts payable	(1 412)	(990)
Change in other current assets and liabilities	-	-
Net cash flow from operating activities	3 175	49 543
Interest income	6 374	3 263
Income taxes paid	(4 111)	(12 366)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of tangible and intangible fixed assets	(2 782)	(1 735)
Proceeds from the sale of tangible and intangible fixed assets	260	40
Net proceeds from investments held to maturity	99 985	(5 456)
Net cash flow from investing activities	97 463	(7 151)
CASH FLOWS FROM FINANCIAL ACTIVITIES:		
Change in long-term payables	594	(133)
Acquisition of treasury shares	(40 914)	(29 082)
Net cash flow from financial activities	(40 320)	(29 215)
Net increase/(decrease) in cash and cash equivalents	108 838	4 074
Cash and cash equivalents at the beginning of the year	30 529	26 455
Cash and cash equivalents at the end of the year	139 367	30 529

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

1. DEFINITION OF THE GROUP

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

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

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

2. SPECIFIC DEVELOPMENTS IMPACTING THE COMPANY'S OPERATIONS DURING 2004

In November 2004, the Company made a capital contribution of CZK 90,000 thousand to boost UNIVYC's share capital from CZK 10,000 thousand to CZK 100,000 thousand. The increase in UNIVYC's share capital led to the fulfilment of the condition underlying the filing of a petition to be granted a licence to act as a central depository under the Capital Markets Act.

On 21 November 2003, the Company, as the sole founder, decided to form a joint stock company Centrální depozitář, a.s., having its registered office address at Rybná 14, Prague 1. The proposed share capital balance of CZK 3,000 thousand consists of 3,000 shares with a nominal value of CZK 1,000. The sole shareholder is the Prague Stock Exchange. The company was recorded in the Register of Companies maintained at the Municipal Court in Prague on 3 March 2004. The company's business includes 'activities of business, financial, organisational and economic advisors'.

3. BASIS OF ACCOUNTING

These consolidated financial statements comprise the accounts of the Company and its subsidiaries (together the "Group") and have been prepared in accordance with the standards and interpretations approved by the International Accounting Standards Board (IASB), which are referred to as International Financial Reporting Standards (IFRS). These standards and interpretations were previously called International Accounting Standards (IAS). All figures are in thousands of Czech crowns (MCZK), unless stated otherwise.

The consolidated financial statements have been prepared under the historical cost convention as modified by the remeasurement to fair value of available for sale securities, financial assets and liabilities held for trading and all financial derivatives to fair value.

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

The presentation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. 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, to the extent that they are material to the Group as a whole, of its controlled companies.

Subsidiaries

An investment in a subsidiary is one in which the Company holds, directly or indirectly, more than 50 percent of its share capital or in which the Company can exercise more than 50 percent of the voting rights or where the Bank can appoint or dismiss a majority of the Board of Directors or Supervisory Board members. Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

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

4.2. Cash and Cash Equivalents

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

4.3. Accounts Receivable

Accounts receivable are shown net of provisions for doubtful accounts. The provisions are based on specific accounts due where realisation is unlikely.

4.4. Securities

Securities held by the Group are categorised into portfolios in accordance with the Group's intent on the acquisition of the securities and pursuant to the Group's security investment strategy. On the adoption of IAS 39, the Group developed a security investment strategy and, reflecting the intent of the acquisition, allocated securities to "Securities and other assets held for trading" and investment securities to the "Securities available for sale" and the "Securities and other assets held to maturity". The principal difference among the portfolios relates to the approach to the measurement of securities and the recognition of their fair values in the financial statements.

All securities held by the Group are recognised using trade date accounting and initially recorded at their cost including transaction costs (acquisition cost).

Securities Held for Trading

Trading debt and equity securities are defined as securities held by the Group with the intention of reselling them, thereby generating profits on price fluctuations in the short term. Securities held for trading are carried at acquisition cost and subsequently re-measured to fair value. Changes in the fair values of such assets are recognised in the profit and loss account as "Net profit on financial operations". For debt and equity securities traded on the Prague Stock Exchange ('PSE'), market values are derived from quoted prices. The fair values of those securities not traded on the PSE are estimated by the management of the Group as the best estimation of the cash flow projection reflecting the set of economic conditions that will exist over the remaining useful life of the securities.

Securities Available for Sale

Securities available for sale are securities held by the Group for an indefinite period of time that are available for sale as liquidity requirements arise or market conditions change.

Securities available for sale are carried at acquisition cost and subsequently re-measured to fair value. Changes in the fair values of available for sale securities are recognised in the profit and loss account as "Other operating expenses, net."

Securities Held to Maturity

Securities held to maturity are financial assets with fixed maturity and determinable payments that the Group has the positive intent and ability to hold to maturity.

Securities held to maturity are initially measured at acquisition cost. Securities held to maturity are subsequently reported at amortised cost using the effective interest rate, less any provision for impairment. The amortisation of premiums and discounts is included in "Interest income and similar income".

A financial asset (as defined in IAS 39) is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of the expected future cash flows discounted at the financial instrument's original effective interest rate. When an impairment of assets is identified, the Group recognises provisions through the profit and loss account line "Other operating income, net."

4.5. Property Plant and Equipment and Intangible Fixed Assets

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

Description	Depreciation period in years
Machinery and equipment	4-6
Vehicles	4
Furniture and fixtures	8-12
Software	4
Other intangible assets	4-8

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

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

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

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

4.6. Revenue Recognition

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

4.7. Income Tax

Tax on the profit or loss for the year comprises the current year tax charge, adjusted for deferred taxation. Current tax comprises the tax payable calculated on the basis of the taxable income for the year, using the tax rates enacted by the balance sheet date, and any adjustment of the tax payable for previous years.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes. The principal temporary differences arise from tax and accounting depreciation on tangible and intangible fixed assets.

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

Deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profit will be available to allow the asset to be recovered.

4.8. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

4.9. Fair Value of Financial Instruments

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

As of 31 December 2004 and 2003, management of the Group believes that the carrying amount of cash and cash equivalents, investments held to maturity, accounts receivable, accounts payable, accrued expenses and short-term payables approximates fair value because of the short maturity of these financial instruments.

4.10. Foreign Currency Translation

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

4.11. Pension Insurance

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

5. CASH

Cash as of 31 December 2004 and 2003 consists of the following balances:

	2004	2003
	CZK '000	CZK '000
Cash on hand	201	198
Cash in bank	139 166	30 331
Total cash	139 367	30 529

The increase in cash as of 31 December 2004 was attributable to the collection of the receivable in respect of the sale of the Stock Exchange Palace building (Burzovní palác). These funds were partially used to increase the share capital of a subsidiary UNIVYC, a.s. (refer to Note 7).

6. ACCOUNTS RECEIVABLE

Of the aggregate gross balance of trade accounts receivable of CZK 37,519 thousand as of 31 December 2004, CZK 31,126 thousand represents amounts due that arise from the Group's principal operations.

Receivables as of 31 December 2004 and 2003 consist of the following balances:

	2004	2003
	CZK '000	CZK '000
Trade receivables	31 126	242 392
Other receivables	6 393	1 635
Total receivables (gross)	37 519	244 027
Provision	(15 255)	(16 326)
Total receivables (net)	22 264	227 701

The decrease in receivables in 2004 is due to the collection of the receivable of CZK 209,100 thousand arising as a result of the sale of the Stock Exchange Palace building.

7. SECURITIES HELD FOR TRADING

	2004	2003
	CZK '000	CZK '000
Traded debt securities and other fixed income securities	99 055	-
Traded shares and other variable yield securities	101 797	-
Total securities held for trading	200 852	-

The receivable arising from the sale of the Stock Exchange Palace building was collected in 2004 which triggered the Group's decision to invest in debt securities.

8. INVESTMENTS HELD TO MATURITY

Investments held to maturity comprise:

	2004	2003
	CZK '000	CZK '000
Government T-bills acquired from the SEGF's funds	52 299	83 026
Depository bill of exchange acquired from the SEGF's funds	44 898	-
Depository bill of exchange	30 828	144 984
Total	128 025	228 010

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

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

Set out below is the balance sheet of the Stock Exchange Guarantee Fund as of 31 December 2004:

Assets	CZK '000		CZK '000
Bank - current accounts	49	Suppliers	2
Debt securities - Government treasury bills	52 299	Payables to members of the SEGF	97 239
- Depository bills of exchange	44 898	Payables to UNIVYC	5
Total assets	97 246	Total liabilities	97 246

9. OTHER CURRENT ASSETS

	2004	2003
	CZK '000	CZK '000
Deferred expenses	10 351	4 378
Accrued income	86	1 169
Estimated receivables	89	2 537
Total	10 526	8 083

10. PROPERTY, PLANT AND EQUIPMENT

Acquisition cost	Machinery and equipment	Vehicles	Fixtures and fittings	Other	Total
	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000
1 January 2004	75 003	3 974	10 943	14 187	104 107
Additions	1 035	-	-	818	1 853
Disposals	16 185	-	-	1 263	17 448
31 December 2004	59 853	3 974	10 943	13 742	88 512
Accumulated depreciation	Machinery and equipment	Vehicles	Fixtures and fittings	Other	Total
	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000
1 January 2004	55 794	3 415	10 502	12 814	82 525
Additions	6 651	330	139	1 101	8 221
Disposals	16 185	-	-	817	17 002
31 December 2004	46 260	3 745	10 641	13 098	73 744
Net book value	Machinery and equipment	Vehicles	Fixtures and fittings	Other	Total
	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000
1 January 2004	19 209	559	441	1 373	21 582
31 December 2004	13 593	229	302	644	14 768

11. INTANGIBLE FIXED ASSETS

	Software	Other	Total
Acquisition cost	CZK '000	CZK '000	CZK '000
1 January 2004	81 161	209	81 370
Additions	1 351	-	1 351
Disposals	-	-	-
31 December 2004	82 512	209	82 721
Accumulated amortisation	CZK '000	CZK '000	CZK '000
1 January 2004	77 294	209	77 503
Additions	2 269	-	2 269
Disposals	-	-	-
31 December 2004	79 563	209	79 772
Net book value	CZK '000	CZK '000	CZK '000
1 January 2004	3 867	-	3 867
31 December 2004	2 949	-	2 949

The Group's intangible fixed assets predominantly include the operating system, development applications and software applications required to facilitate trading.

12. LONG-TERM RECEIVABLES

	2004	2003
	CZK '000	CZK '000
Long-term receivables	198	3 847
Total	198	3 847

Long-term receivables principally consisted of an issued long-term advance and a deferred tax asset.

12.1. DEFERRED TAX

Deferred income taxes are calculated on all temporary differences arising from the recognition of transactions for financial reporting and tax purposes using the tax rate determined by the Income Taxes Act for the period in which the deferred tax is likely to be realised.

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

	31 December 2004	31 December 2003
	CZK '000	CZK '000
Fixed assets	(529)	(1 004)
Reserve for real estate transfer tax	-	3 931
Reserve for litigation	255	-
Other	348	796
Deferred tax asset/(liability)	74	3 723
Adjustment to reflect the anticipated unrealisable part of the deferred tax asset	-	-
Impact on profit/(loss)	(3 649)	3 723

The net deferred tax asset/(liability) is composed of the following items:

	2004	2003
	CZK '000	CZK '000
Opening balance	3 723	-
Change during the period	(3 649)	3 723
Net closing balance	74	3 723

13. TRADE PAYABLES

	31 December 2004	31 December 2003
	CZK '000	CZK '000
Trade payables	12 405	14 499
Total	12 405	14 499

All trade payables are before maturity.

14. PAYABLES TO PARTNERS AND ASSOCIATIONS

	31 December 2004	31 December 2003
	CZK '000	CZK '000
Payables to partners and associations	97 239	86 474
Total	97 239	86 474

Payables to partners and associations totalling CZK 97,239 thousand consist of unallocated payables to the members of the Stock Exchange Guarantee Fund. For details refer to Note 8.

15. OTHER PAYABLES

	2004	2003
	CZK '000	CZK '000
Estimated payables	8 684	16 727
Payables to staff	5 189	3 189
Social security payables	4 045	2 338
Other payables	3 747	7 963
Total	21 665	30 217

Temporary accounts of liabilities principally comprise unbilled services and estimated amounts in respect of bonuses.

16. LONG-TERM PAYABLES

	2004	2003
	CZK '000	CZK '000
Other long-term payables	3 601	16 449
Total	3 601	16 449

Long-term payables in 2004 largely consisted of long-term advance payments received. The decrease in long-term payables is due to the payment of real estate transfer tax amounting to CZK 14,041 thousand.

17. SHARE CAPITAL, SHAREHOLDERS' FUNDS AND UNDISTRIBUTABLE RESERVES

The balance of the Group's share capital recorded in the Register of Companies comprises 365,741 registered shares with a nominal value of CZK 1,000.

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

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

Treasury Shares

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

The Company is obligated to repurchase treasury shares if the Stock Exchange Chamber does not approve the transfer to another party. The Company is required to dispose of the treasury shares repurchased by the 2004 year-end within a three-year period. If the treasury shares are not resold within that time-limit, the Company is required to withdraw the shares from circulation and reduce its share capital balance by their nominal value.

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

Set out below is the development and structure of the Company's treasury shares purchased from and sold to the shareholders during 2004:

Period	Nominal value of shares	Purchase cost of shares
	CZK '000	CZK '000
Balance at 31 December 2003	71 156	51 768
Purchases	45 206	40 914
Withdrawals	(19 207)	(19 207)
Other adjustments	-	(2)
Balance at 31 December 2004	97 155	73 473

18. REVENUES

The following table sets out the structure of revenues:

	2004		2003	
	Volume CZK '000	Structure %	Volume CZK '000	Structure %
Exchange charges	106 749	58.2	93 028	54.6
of which: membership fees	17 560	9.6	18 480	10.3
listing charges	12 546	6.8	12 506	7.6
dealing charges	76 643	41.8	62 042	36.7
Sales from the settlement of over-the-counter trades	40 908	22.3	26 763	21.6
Charges for interrupted transactions	1 831	1	1 843	1
UNIVYC membership fees	1 600	0.9	1 812	1
Sales from securities custody	528	0.3	93	0.4
Sales from mediation of payments of revenues from securities	145	0.1	145	2
Sales from other services	31 521	17.2	40 053	19.4
Total revenues	183 282	100%	163 737	100%

Sales of other services principally comprise fees for the provision of information to non stock exchange entities and other fees.

19. COSTS OF SERVICES AND MATERIAL

The following table sets out the structure of services:

	31 December 2004	31 December 2003
	CZK '000	CZK '000
Consumed material	(1 953)	(1 425)
Total material	(1 953)	(1 425)
Rent	(18 112)	(13 327)
Other services	(10 682)	(12 185)
Advisory services	(9 354)	(8 988)
Repair and maintenance	(6 414)	(4 535)
Services connected with the maintenance of a building	(3 189)	(5 659)
Training, seminars and workshops	(1 669)	(2 061)
Total	(49 420)	(46 755)

20. STAFF COSTS

	31 December 2004	31 December 2003
	CZK '000	CZK '000
Wages and salaries	(51 998)	(49 014)
Social security costs	(18 050)	(17 124)
Social costs	(3 863)	(3 606)
Remuneration to the members of the bodies of the Company and the association	(2 826)	(2 801)
Total	(76 737)	(72 545)
Average headcount	69	71

21. DEPRECIATION AND AMORTISATION

	31 December 2004	31 December 2003
	CZK '000	CZK '000
Depreciation of property, plant and equipment	(8 213)	(16 803)
Amortisation of intangible fixed assets	(2 269)	(4 526)
Net book value of disposed tangible and intangible fixed assets	(8)	-
Total	(10 490)	(21 329)

22. OPERATING INCOME

Other operating income are as follows:

	31 December 2004	31 December 2003
	CZK '000	CZK '000
Other operating income	11 897	9 518
Change in reserves and provisions in the operating area	14 513	(6 379)
Proceeds of the sale of fixed assets and material	260	21 481
Other taxes and fees	(14 166)	(136)
Other operating expenses	(7 577)	(6 354)
Total	4 927	18 130

The year-on-year decrease in other operating income and expenses is due to the sale of the Stock Exchange Palace building which was completed in 2003.

23. FINANCIAL INCOME AND EXPENSES

Other financial income/(expenses) are as follows:

	31 December 2004	31 December 2003
	CZK '000	CZK '000
Other operating income	62	152
Change in reserves and provisions in the operating area	540	-
Proceeds of the sale of fixed assets and material	11 098	3 643
Other taxes and fees	(137)	(176)
Other operating expenses	(1 470)	(1 124)
Total	10 093	2 495

Proceeds of the sale of securities and investments and costs of sold securities and investments for the year ended 31 December 2004 relate to the securities held for trading which the Company maintains within current investments with the intention of generating a profit from short-term fluctuations in prices.

The year-on-year increase in other financial income in 2004 is due to the interest on term deposits and depository bills of exchange and interest income associated with the portfolio of securities held for trading.

24. INCOME TAX

The following table sets out income tax balances:

	31 December 2004	31 December 2003
	CZK '000	CZK '000
Income tax payable - current period	14 328	13 199
Deferred tax	3 649	(3 723)
Total	17 977	9 476

24.1. Income Tax Calculation

	31 December 2004	31 December 2003
	CZK '000	CZK '000
Profit/loss before tax	59 702	42 308
Theoretical tax calculated at a tax rate of 28 percent (2003: 31 percent)	16 717	13 116
Income not taxable	(18 892)	(174 972)
Expenses not deductible for tax purposes	10 520	171 097
Other	3 080	3 928
Adjusted tax base	54 410	42 361
Income tax expense	15 234	13 139
Additional income tax payments	(906)	60
Total income tax expense	14 328	13 199
Movements in deferred taxes	3 649	(3 723)
Total income taxation	17 977	9 476

25. RECONCILIATION OF RETAINED EARNINGS UNDER CZECH ACCOUNTING STANDARDS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**25.1. Profit for the Year Ended 31 December 2004**

	2004	2003
	CZK '000	CZK '000
Consolidated profit reported under Czech Accounting Standards	41 725	39 069
Add /(deduct):		
Adjustment of other reserves	-	(6 237)
Consolidated profit reported under IFRS	41 725	32 832

25.2. Retained Earnings and Capital Funds

	2004	2003
	CZK '000	CZK '000
Retained losses and capital funds under Czech Accounting Standards	41 606	2 537
Add /(deduct):		
Adjustment of other reserves	-	6 237
Other adjustments	(2)	-
Retained earnings and capital funds under IFRS	41 604	8 774
Profit for the period	41 725	32 832
Total	83 329	41 606

25.3. Development of Retained Earnings/(Losses) in 2004

	2004
	CZK '000
Retained losses brought forward	(16 296)
Profit for the period	41 725
Allocation from the reserve fund	(1 956)
Retained earnings as of 31 December 2004	23 473

26. ESTIMATED FAIR VALUE OF ASSETS AND LIABILITIES OF THE GROUP

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

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

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

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

(b) Investments held to maturity

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

(c) Securities held for trading

Securities held for trading are measured at fair value as of 31 December 2004.

27. FOREIGN CURRENCY POSITION

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

	Czech crowns CZK '000	EUR CZK '000	USD CZK '000	Total CZK '000
Assets				
Cash	138 858	494	15	139 367
Trade accounts receivable	22 264	-	-	22 264
Advances provided and other current assets	10 526	-	-	10 526
Securities held for trading	200 852	-	-	200 852
Investments held to maturity	128 025	-	-	128 025
Property, plant and equipment and intangible fixed assets (net)	17 717	-	-	17 717
Long-term receivables	198	-	-	198
Total assets	518 440	494	15	518 949
Liabilities				
Trade accounts payable	11 291	1 114	-	12 405
Payables to partners and associations	97 239	-	-	97 239
Taxes payables and other liabilities	30 107	-	-	30 107
Long-term payables	3 601	-	-	3 601
Shareholders' equity	375 597	-	-	375 597
Total liabilities	517 835	1 114	-	518 949
Net foreign currency position as of 31 December 2004	605	(620)	15	-
Total assets as of 31 December 2003	523 460	159	-	523 619
Total liabilities as of 31 December 2003	523 524	95	-	523 619
Net foreign currency position as of 31 December 2003	(64)	64	-	-

28. INTEREST RATE RISK

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

	Up to 3 months CZK '000	3 months to 1 year CZK '000	1 year to 5 years CZK '000	Over 5 years CZK '000	Maturity undefined CZK '000	Total CZK '000
Assets						
Cash	37 645	-	-	-	101 722	139 367
Accounts receivable (net)	-	-	-	-	22 264	22 264
Advances provided and other current assets	-	-	-	-	10 526	10 526
Securities held for trading	-	102 188	98 664	-	-	200 852
Investments held to maturity	75 237	52 788	-	-	-	128 025
Property, plant and equipment and intangible fixed assets (net)	-	-	-	-	17 717	17 717
Long-term receivables	-	-	-	-	198	198
Total assets	112 882	154 976	98 664	-	152 427	518 949
Liabilities						
Trade accounts payable	-	-	-	-	12 405	12 405
Payables to partners and associations	-	-	-	-	97 239	97 239
Taxes payables and other liabilities	-	-	-	-	30 107	30 107
Long-term payables	-	-	-	-	3 601	3 601
Shareholder's equity	-	-	-	-	375 597	375 597
Total liabilities	-	-	-	-	518 549	518 549
Net interest rate risk exposure						
as of 31 December 2004	112 882	154 976	98 664	-	(366 522)	-
Total assets as of 31 December 2003	181 871	62 105	-	-	279 643	523 619
Total liabilities as of 31 December 2003	-	-	-	-	523 619	523 619
Net interest rate risk exposure as of 31 December 2003	181 871	62 105	-	-	(243 976)	-

29. LIQUIDITY RISK

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

	On demand	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total
	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000
Assets							
Cash	101 520	37 645	-	-	-	202	139 367
Accounts receivable (net)	-	22 264	-	-	-	-	22 264
Advances provided and other current assets	-	8 608	-	-	-	1 918	10 526
Securities held for trading	-	-	1 182	199 670	-	-	200 852
Investments held to maturity	-	75 237	52 788	-	-	-	128 025
Property, plant and equipment and intangible fixed assets (net)	-	-	-	-	-	17 717	17 717
Long-term receivables	-	-	-	-	-	198	198
Total assets	101 520	143 754	53 970	199 670	-	20 035	518 949
Liabilities							
Trade accounts payable	-	12 405	-	-	-	-	12 405
Payables to partners and associations	-	97 239	-	-	-	-	97 239
Taxes payables and other liabilities	-	26 689	3 418	-	-	-	30 107
Long-term payables	-	3 601	-	-	-	-	3 601
Shareholder's equity	-	-	-	-	-	375 597	375 597
Total liabilities	-	139 934	3 418	-	-	375 597	518 549
Net on balance sheet liquidity risk as of							
31 December 2004	101 520	3 820	50 552	199 670	-	(355 562)	-
Total assets as of 31 December 2003	-	198 890	272 787	-	-	51 942	523 619
Total liabilities as of 31 December 2003	-	29 577	2 133	-	-	491 909	523 619
Net on balance sheet liquidity risk as of 31 December 2003	-	169 313	270 654	-	-	(439 967)	-

30. POST BALANCE SHEET EVENTS

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

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