



ANNUAL REPORT 1996

PRAGUE STOCK EXCHANGE



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INTRODUCTION BY CHAIRMAN OF PSE CHAMBER

Year 1996 meant an additional step forward in the development of the Prague Stock Exchange (PSE) which has achieved a number of significant advancements related to its overall activities. In its efforts, the Exchange focused on a further improvement in transparency of the Czech capital market and, simultaneously, on an overall development of the services associated with the securities trading and provided to its members.

PSE started-off the year 1996 at its new seat. The Exchange Palace has created a respectable environment and sufficient framework for the operation of the principal organiser of the securities market. In March, a new continual exchange trading system, called KOBOS, was put into operation. This segment is viewed as a standard tool of trading. The timing of its implementation was set fully depending on the actual level of the market's development and secured by a reliable, tuned and safe electronic trading mechanism. It has also predetermined the necessity of introducing new technological advancements facilitating the improvements in the settlement system, expansion of information flow, and improvements related to the trading comfort. This year was also a period of extensive preparations for the launching of trades in derivatives. The active market at the end of the year has not only resulted in a considerable growth of trade value, but also in an apparent strengthening of prices reflected in Index PX 50. It has also proved that it would be correct if the Exchange continues its role of a leader in the efforts aimed at a stricter application of professional ethical standards to the trading and at the establishment of much severe requirements for disclosure of information on issues admitted to its prestigious markets.

A dominating feature in activities performed by the Exchange Chamber and PSE at all was the efforts aimed at the

achieving of a radical change in the market's transparency expressed by the Goethe's slogan "More light!", a light needed so much by the Czech capital market. These efforts found their specific expression in practical preparations for the establishment of an independent Securities Commission based on experience acquired by capital markets operating in stable market economies. The fact that a skeleton project and a basis for articulated wording of the specific law to regulate this body were successfully created by the end of the year indicates that the efforts were



productive and have provided a sufficient background for the actual creation of the Securities Commission early in 1997. The Commission represents the necessary prerequisites of the actual standardisation of the Czech capital market and a further strengthening of the market's credibility, seriousness and stability. The correctness of the direction followed was also confirmed by the international conference held in April, at the time of inauguration of the PSE's new seat, and attended by outstanding personalities representing the inter-

national exchange organisations.

The year 1997 will not only be decisive for the completion of the ordinary trading mechanisms but also for the accomplishment of the standardisation the Czech capital market is undergoing. Future objectives of the Exchange are focused right on the kind of changes which it is going to face. The Exchange wants to be a co-creator of those changes, so that it can be much more efficient in playing its role of an important tool and significant indicator it has been assigned to by the market economy.

Tomáš Ježek



REPORT OF THE GENERAL SECRETARY

D EVELOPMENT OF THE EXCHANGE UNDER THE EXISTING CZECH CAPITAL MARKET ENVIRONMENT

The fourth year of the PSE's existence became an important evolutionary period during which the Exchange radically changed the dynamics of the implementation of its development projects and got even closer to the level of the European institutions engaged in organising securities markets operating in stable market economies. The efforts spared and the number of progressive changes made resulted in a higher than doubled increase in the trade value achieved in 1996 through PSE.

A substantial rise in reliability and security of the trading and information system of the Exchange along with the introduction of new services can be put as a synonym to express the progress of the last year. This was also confirmed by the fact that no failure in the trading occurred that year and the few small defects that appeared were caused by problems in the existing communication networks. The Exchange also took advantage of the shorter new year's break at the Securities Centre (SC), and its doors remained opened

for traders until the very end of the year. The Exchange also continued the process of a vast updating its regulations.

The most important event of 1996 was the introduction of the continual trading enabling the investors to respond more flexibly to the actual state of bid and supply. The trading cycle was started-off in the middle of March using the KOBOS system developed by its own forces. The importance of this trading system has gradually been growing which has also been evidenced by the fact that KOBOS took 63 % share in the trades which included 11 issues of the first trading group in the Central Market.

In addition to the continual trading, the following four basic types of trading were available: trading at a fixed price (fixing), continuous trading at a fixed price (supplemen-

tary orders), direct trades in blocks of securities, and automated trades in blocks of securities.

In the middle of 1996, in line with the overall concept of the PSE's future development, the Exchange began its preparatory work related to derivatives trading. In line with the time-table agreed with the contractor, the entire project should be technically ready for operation in the second half of 1997.



Transformation of the former limited liability company, Stock Exchange Register of Securities, into a joint stock company UNIVYC (Universal Settlement Centre), accomplished at mid-October 1996, can be viewed as an important step towards further advancement of the system designed for settlement of capital market transactions. Primary objective of the transformation was to create an institution capable to provide its members with comprehensive services corresponding to the existing European standards.

In areas such as dissemination of exchange data and collection of economic information on issuers, it was the Czech Capital Information Agency (ČEKIA) that has achieved its firm position within the Czech capital market. Along with the expanded offer of products provided and quality improvements in the services offered, ČEKIA introduced, in the course of the year, information rating of issuers, which allows to distinct companies rated as open and disciplined from those considered closed in terms of information disclosure.

In 1996, PSE was doing its utmost to take radical systemic steps aimed at the advancement of the entire securities trading mechanism, since it feels its co-responsibility for the development of the Czech capital market and spares no efforts in bringing the conditions and rules of the market closer to the common international conventions.

TRADE VALUE BROKEN BY MARKET AND SECURITY TYPE

		BONDS		SHARES		UNITS		TOTAL	
		Value (CZK billion)	Number (‘000 pcs)	Value (CZK billion)	Number (‘000 pcs)	Value (CZK billion)	Number (‘000 pcs)	Value (CZK billion)	Number (‘000 pcs)
MAIN MARKET	CM	0.056	5	14.530	18,077	0.159	680	14.745	18,762
	DT	110.975	10,240	116.144	112,338	0.351	1,489	227.470	124,067
	BT	1.865	176	18.574	15,860	0.011	66	20.451	16,102
	Σ	112.896	10,421	149.248	146,275	0.522	2,235	262.665	158,931
SECONDARY MARKET	CM	0.000	0	2.770	6,219	0.330	556	3.101	6,774
	DT	1.785	18	21.173	19,122	0.758	1,259	23.716	20,398
	BT	0.000	0	11.606	8,780	0.000	0	11.606	8,780
	Σ	1.785	18	35.550	34,121	1.088	1,814	38.423	35,952
FREE MARKET	CM	0.036	3	10.097	34,279	0.793	8,925	10.927	43,207
	DT	28.319	2,409	32.179	58,210	0.527	7,517	61.025	68,136
	BT	0.228	17	19.916	32,898	0.016	49	20.160	32,964
	Σ	28.583	2,429	62.192	125,387	1.336	16,491	92.111	144,307
TOTAL	CM	0.091	8	27.398	58,575	1.283	10,161	28.772	68,744
	DT	141.079	12,666	169.496	189,670	1.636	10,265	312.210	212,601
	BT	2.094	193	50.096	57,538	0.027	114	52.217	57,846
	Σ	143.264	12,867	246.990	305,783	2.946	20,540	393.200	339,190

CM - Central Market, DT - Direct Trades, BT - Block Trades, Σ - Total

BASIC DATA ON THE TRADING FOR 1996

The trading in 1996 was started on January 8, in new, modern rooms of the Exchange Palace, and ended with the last day of the year - December 31. The total trade value was developing very dynamically and its growth was radical, just like in previous years. In 249 trading sessions (as against 234 sessions in 1995), the trade value achieved climbed to CZK 393.2 bil. - a growth of 101.2 %, as against 1995, and six-times the value of the transactions recorded for 1994. An average trade value per session was CZK 1.579 bil. - 89.1 % higher than the average for the preceding year.

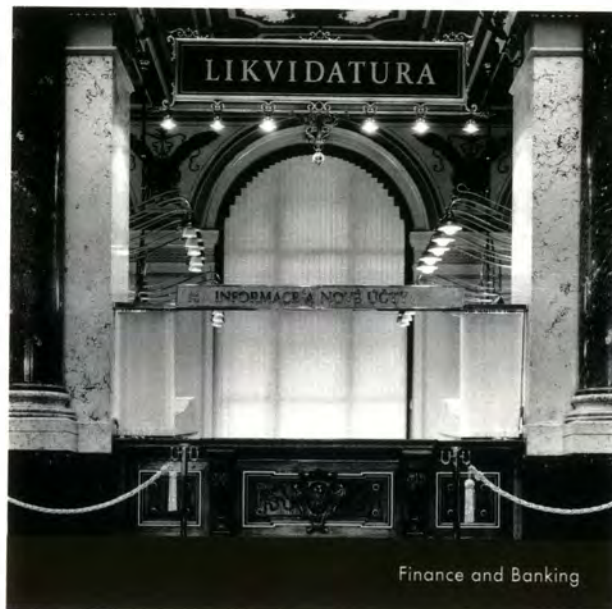
Securities for CZK 28.772 bil. were traded in the Central Market. Despite the year-on-year increase of 30.9 %, this market segment accounted for 7.3 % of the total trade value. Direct trades accounted for 79.4 % (CZK 312.210 bil.) and block trades for 13.3 % (CZK 52.217 bil.).

As far as the year-to-year comparison is concerned, percentages of the total value have increased from 70.1 % (1995) to 76.6 % for the Main and Secondary markets. A moderate growth in the percentage taken by bonds was also recorded - from 35.7 % to 36.4 %, and percentages for shares and units have, therefore, recorded a moderate decline - from 64.3 % to 63.6 %.

As anticipated, investment funds were the most successful sector in the Central Market with their 24.1 % share in the total transaction value. Issues coming from the finance and banking sector accounted for 14.2 %, power generation for 11.2 %, and transport and communications for 8.7 %. The first four positions were held by the same sectors as in 1995. From the trade value's overall point of view, the leading positions, as far as investors' capital interests expressed by percentage of all the exchange trades executed is concerned, were taken by sectors such as transport - accounting for 15.5 %, followed by power

generation - 15.3 %, and finance and banking sector - 13.7 %. If comparing the individual issues, the largest trades were executed in shares issued by companies such as SPT Telecom (12.6 %), Komerční banka (7.4 %), ČEZ (6.4 %) and Česká spořitelna (5.2 %).

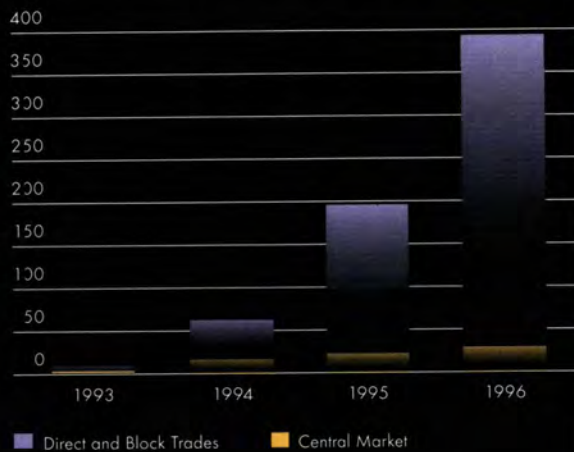
If viewing the development in terms of market capitalisation of shares and units, there was a growth of 12.7 % - to CZK 539.2 bil. from CZK 478.6 bil. - in 1995. Year-to-year market capitalisation for bonds has grown from CZK 87.8 bil. to CZK 136.9 bil. for the same period.



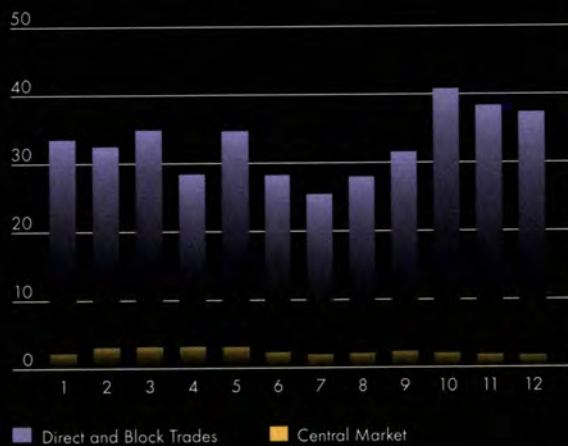
Characteristic for price level movements was the development of Index PX 50 which rose 26.7 % during the year and closed at the value of 539.6 points. Its minimum annual value of 437.9 points was recorded at the first trading session of the year 1996 - held on January 8, while the annual maximum of 582.0 points was reached at the session held on September 5, 1996. On the other hand, sector indices were mostly

characterised by a decline. A total of 11 sectors suffered losses and 8 sector indicators stated increments. From among 19 sector indices the largest loss was suffered by issues of the agricultural sector where the indicator lost 56.8 %. Companies of the trade sector lost 56.5 %, and index for issues covering the production of textiles, wearing apparel and leather sector recorded a decline of 37.6 %. On the other hand, the largest increment was demonstrated by issues of the extraction and processing of minerals and ores sector where the indicator gained 73.5 %. Those were followed by issues of the finance and banking sector with a gain of 41.9 %.

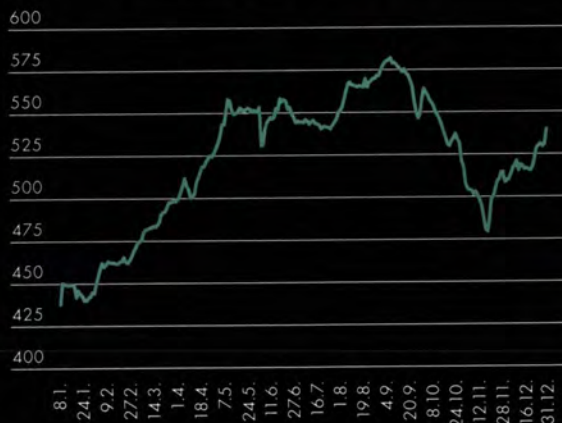
YEARLY TRADE VALUE DEVELOPMENT IN BIL. CZK



TOTAL TRADE VALUE IN BIL. CZK MONTHLY DEVELOPMENT IN 1996



DEVELOPMENT OF PX 50 INDEX FROM JAN. 8 TO DEC. 31, 1996



STRUCTURE OF THE MARKET FOR SECURITIES

Altogether, there were 1,750 issues of securities traded in the markets of the Prague Exchange at the end of 1996, of which 70 were assigned to the Main market (44 shares and units and 26 bonds), 53 to the Secondary market (52 shares and units and 1 bond) and 1,627 were assigned to the Free market (1,574 shares and units and 53 bonds).

In connection with the revised Commercial Code, Securities Act, and Investment Companies and Investment Funds Act, a revised exchange regulation was also prepared titled "Requirements for Admission of a Security to Trading at the Stock Exchange" which has generalised the period for the providing of economic information on companies operating in the Main and Secondary markets by specifying this period as "a quarterly basis". The amended regulation entered into effect on January 1, 1997. It makes the information provision regime more severe and specifically defines sanctions which may be imposed by the Exchange upon issuers in case of their non-compliance with the statutory disclosure obligations.



The objective of the adopted provisions is to make the market more transparent. These provisions are not only considered to become a significant step to the standard environment, but they are also expected to feature the rationalisation process, currently under preparations, of the exchange market, in which, in a long run, only those first-class issues are going to be maintained on which sufficient information will be made available to investors.

S ETTLEMENT OF THE STOCK EXCHANGE TRADES

The settlement of exchange trades in 1996 was managed by a joint stock company called UNIVYC (Universal Settlement Centre). UNIVYC emerged on October 8, 1996, as a product of transformation of a liability limited company formerly known as the Stock Exchange Register of Securities. UNIVYC provided Exchange members with a complex of services related to the clearing and settlement of exchange trades. Additional activities performed by UNIVYC included the services associated with safe custody and administration of certificated securities (safe custody alone plus payment of yields on securities), participation in execution of stock events, interposing as a mediator of services provided by the Securities Centre (SC), provision of statistical information related to the settlement, training activities targeted at securities traders, administration of assets held by the Stock Exchange Guarantee Fund (SEGF), and to execution of intervention purchases.

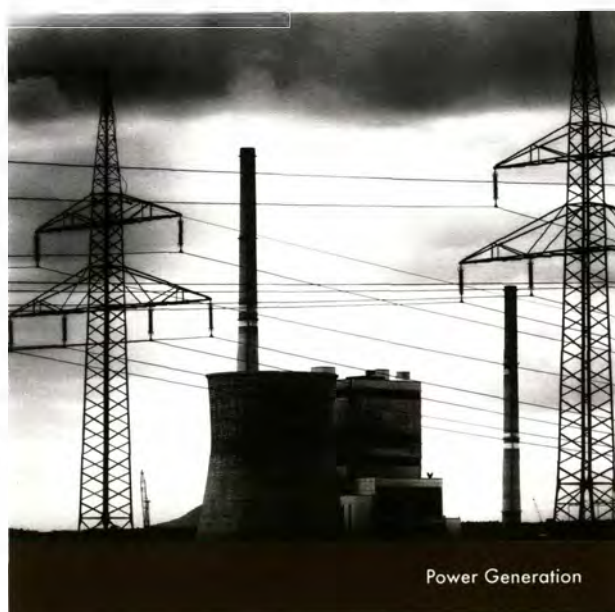
In 1996, UNIVYC effected 3,418,045 cleared transfers of securities in their total value exceeding CZK 444 bil., of which 1,786,011 transfers (129 mil. pieces of securities) were effected in the Central Market. 204 mil., respectively 129 mil. pieces of securities were transferred in 1996 through direct, respectively over-the-counter trades.

Settlement of booked securities (registered in book-entry form) was provided by UNIVYC through the SC. Those transfers of certificated securities associated with settlement of trades were simply processed in the UNIVYC's database. The advancement of the system capable to generate the payment orders that are to be shipped to the Clearing Centre of the Czech National Bank, allowed to substantially reduce the number of these orders, in comparison with 1995. The fact that the intervention purchases via the electronic trading system have become accessible to

all members of the Exchange can be viewed as an efficient contribution to the final settlement of suspended trades.

Under the improvements in the services provided, the second version of direct trade settlements was launched in March 1996. Using the priority options available from the system, this version allows to settle chained transactions in one day. This is the reason why the average number of direct trade transfers cleared per month has increased by 50 %. October 1996 came with yet another advance-

ment. The third version of the direct trade settlements came with an expanded option allowing DVP type trades to select from the existing range of settlement periods, or to change settlement period or day from T+2 through T+15 to T+1 through T+15. Following this adjustment, the average number of the direct trade transfers cleared per month has tripled in comparison with the initial figures. The use of the Stock Exchange Guarantee Fund in settlement of transfers arising from the continual trading has made the settlement



of these trades a substantially more efficient.

At the end of 1996, UNIVYC was about to finish the work on the REPOs project. It was a part of the team which was conducting the preparatory work related to the opening of the trading in and settlement of options and futures contracts. In conjunction with the introduction of the continual trading, UNIVYC participated in developing the conditions necessary for a potential start of these trades. It namely played an active role in the area of settlement. In the autumn of 1996, conception of UNIVYC membership was definitely approved and, based on this conception, four trading companies were admitted at the end of the year with the defined status.

DISSEMINATION OF THE EXCHANGE INFORMATION

Year 1996 meant a further development for the provision of exchange data and related information. Apart from the standard access to the existing exchange information data files which has already been established using the BBS station and that is being primarily used by interested individuals, the possibility of on-line connection to the Exchange information system has also been substantially expanded.

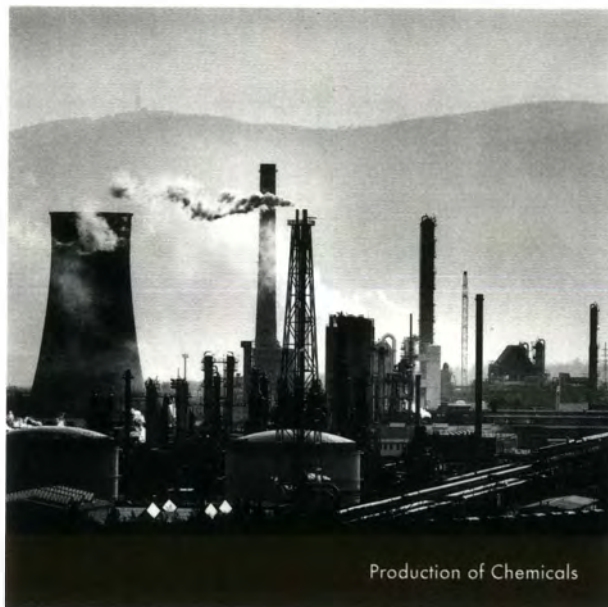
Simultaneously, the process of unification of the conditions and requirements for the dissemination of exchange information was launched. The new conditions will be based on the standard principles established by exchanges operating in stable economies and will also allow to achieve a more proportional cost-sharing by individual partners.

Thus the possibility to acquire information and provide it further becomes opened not only for Exchange members that use the trading terminals and for certain large information agencies, but for those other interested, as well. In addition to the professional terminals used by the large information agencies and designed for institutional investors, the development of products offered by smaller firms and addressed to the general investor's public can also be expected.

There are yet additional activities of the Exchange that are focused on strengthening the confidence and increasing the level of the public information awareness. Along with the information provided via teletext of the Czech television, it is, above all, the expanding provision of information via the Internet. The web pages of the Exchange are accessible and can be obtained at the following address: <http://www.vol.cz/BURZA/>. At the end of the year, a project for a firm connection of the Exchange to the Internet through own server was launched. This will

also mean an additional expansion for the dissemination of all the services provided this way.

The efforts aimed at a higher transparency of the market not only led to technological and organisational measures improving the accessibility of the existing information, but also to the changes in the contents of this information. One of the most significant steps taken in this direction was the strengthening the information disclosure obligation for issuers, and a clearly specified obligation to disclose information that is considered price sensitive.



Production of Chemicals

It can be expected that the further profiling of the Exchange and the pressure put on the information providing will lead, in the next year, to a reduction in the existing number of traded issues, quality improvement and extended access to information on issuers and trades. This should not only lead to the strengthening professional confidence in the capital market, but also to the strengthening confidence of the actually interested public

investors which would subsequently result in higher interests of these investors in the exchange trading.

INTERNATIONAL RELATIONS AND PRESENTATION

For Prague Exchange, the year 1996 was a year of extensive international activities. Primary purpose of these activities was to acquire the experience necessary for the implementation of the existing development programmes and to further deepen and expand the contacts already established with international exchanges and exchange organisations.

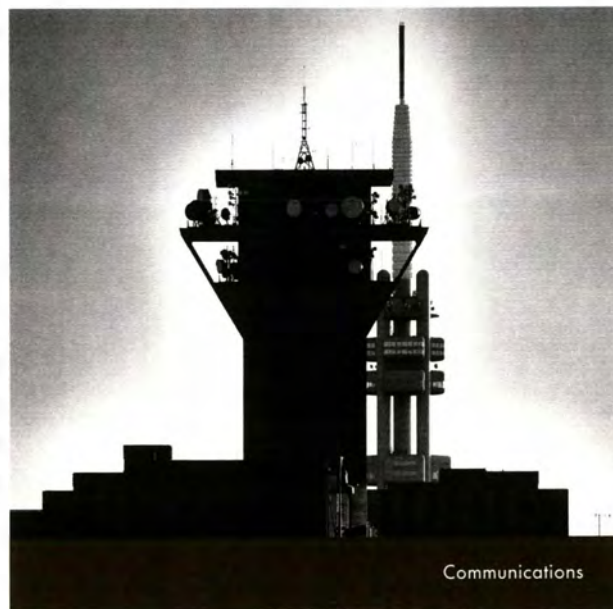
One of the most important events in this area was certainly the international conference held at the beginning of April on the occasion of the inauguration of the new seat of the PSE situated in the Exchange Palace. Top representatives of foreign exchanges and of the Federation of European Exchanges were invited. Premier of the Czech government, Václav Klaus, delivered his speech at the conference as well. Majority of the guests visited also the International Financial Fair - FIBEX '96, and saw the exposure prepared by the PSE - it was this exposure that was picked out as this year's best. The Exchange presented itself at the fair together with its subsidiary companies: Stock Exchange Register of Securities, and ČEKIA. The all-day seminar, devoted to the topic "Prague Stock Exchange on Its Path to International Standards" and held under the fair's accompanying programme, was further enriched by contributions made in the form of speeches delivered by representatives of the foreign guests.

In 1996, the Prague Stock Exchange participated actively in the work of the Federation of European Exchanges. Representatives of the PSE attended the regular meetings held by the Committee on Emerging Markets. The meetings were held in June and October.

PSE was also represented at the working meetings organised by the World Federation of Exchanges.

An important contribution to a further increase of qualifications for the staff of the Exchange became both the courses and training provided especially by the Deutsche Börse and by DTB in Frankfurt, as well as the extensive training devoted to derivatives and held in Chicago.

In 1996, the Exchange also participated in exhibitions and fairs held at home as well as abroad. They included, in particular, the Fourth Year of International Fair of Shareholders and Investors - IAM - which took place in Düsseldorf from November 7 to 9. To make its members better informed, the Exchange held, during the year, a number of presentations, seminars and briefings, where the participants could have obtained detailed information on the Exchange's new development projects and objectives. Primary topics of these events included issues such as modernisation (up-grading) of the existing trading system, communication system and to other changes in exchange trading technology.



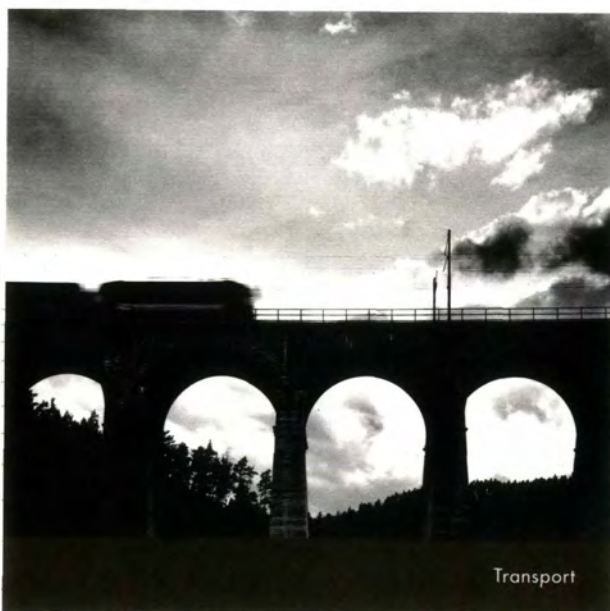
PERSPECTS OF FURTHER DEVELOPMENT

Prague Stock Exchange has been developing in a flexible manner and has been able to respond to the needs of the market as well as to changes taking place therein. Primary attention of the Exchange has been focused on a development of an efficient, transparent and liquid market which would strengthen the confidence of domestic and foreign investors in the Czech capital market. The Exchange has been radically modernising its trading and information system doing its utmost to make it more safe and secured and to provide a high-quality settlement of trades. A further increase in the current number of issues traded under the continual trading system is envisaged. This would be implemented by transferring additional representatives from the Main market to this market segment.

The key project for 1997 will certainly become the preparation for the derivatives market which will come with an option allowing the investors to secure themselves against negative price movements in the prompt market. Trades in options and futures will be one more addition to the spectrum of the services provided to investors at present. It is assumed that the trading will open with options on selected share issues and with options or futures on index. In addition to that, the Exchange has been working hard on technological modernisation of the automated trading system (ATS) and on a new communication system.

The objectives of the Exchange include also the creation of a suitable climate for admission of foreign securities to the PSE's markets, quality improvement and expansion of information service designed for investors, and a further development of the settlement system as well. In connection with above mentioned, the work on securities lending project is going on simultaneously.

With the aim to expand the spectrum of the services provided to its members and investors, the Exchange has also been preparing the trading in units of open unit trust funds.





STOCK EXCHANGE BODIES

Chairman (until March 31, 1996)

Richard SALZMANN, Komerční banka, a.s.

Chairman (since April 30, 1996)

Tomáš JEŽEK

Vice-Chairman

Pavel KAVÁNEK, ČSOB, a.s.

Zdenek BAKALA, Patria Finance, a.s.

Aleš BARABAS, Živnostenská banka, a.s.

Marie BEDNÁŘOVÁ, VÚB Bratislava, a.s.

Jaroslav DAŇHEL, independent expert

Jaroslav KLAPAL, Česká spořitelna, a.s.

Miroslav KUČERA, independent expert

Vladislav PAVLÁT, Iceberg, a.s.

Libor PROCHÁZKA, Investiční a Poštovní banka, a.s.

Lubomír PUŽEJ, Harvardská burzovní společnost, a.s.

Michal VĚTROVSKÝ, Česká pojišťovna, a.s.

Petra WENDELOVÁ, CS First Boston (Prague), a.s.

Membership in the Stock Exchange Chamber ended

Petr MATĚJČEK, Ekoagrobanka, a.s. (membership ended on June 26, 1996)

Pavel JANDA, Agrobanka, a.s. (membership ended on October 31, 1996)

Richard SALZMANN, Komerční banka, a.s. (membership ended on Dec. 16, 1996)



International Conference, April 1996

SUPERVISORY BOARD

Chairman (until Sept. 11, 1996) - he continues to be a member
Martin KRYL, Živnostenská banka, a.s.

Chairman (since Sept. 12, 1996)
František VEJMOLA, Komerční banka, a.s.

Vladimír HOFFMANN, Delta Securities, a.s.
Radko RESCH, Harvardská burzovní společnost, a.s.
Jan STRUŽ, ING Baring Capital Markets (C.R.), a.s.

GENERAL SECRETARY

Jiří Franc

STOCK EXCHANGE COMMITTEES

Stock Exchange Committee on Exchange Trades

Chairman
Vladislav PAVLÁT

Stock Exchange Securities Listing Committee

Chairman
Aleš BARABAS

Stock Exchange Membership Committee

Chairman
Jaroslav KLAPAL

Stock Exchange Committee for the Preparation of Trades in Derivatives

Chairman
Zdenek BAKALA



LIST OF SHAREHOLDERS AND MEMBERS

S SHAREHOLDERS

AB BANKA, a.s., Pivovarská 113, 293 80 Mladá Boleslav (non member of PSE)
AGROBANKA, a.s., Hybernská 18, 110 00 Praha 1
AKRO CAPITAL, a.s., Malá Štěpánská 9, 120 00 Praha 2
ATLANTA SAFE, a.s., Štěpánská 57/630, 110 00 Praha 1
ATLANTIK FINANČNÍ TRHY, s.r.o., Hilleho 6, 602 00 Brno
BH SECURITIES, a.s., Anežská 10, 110 00 Praha 1
BODY INTERNATIONAL BROKERS, a.s., Senovážné nám. 3, 110 00 Praha 1
BRNO BROKER GROUP, a.s., Rašínova 2, 602 00 Brno
BVV DIVES - KAPITÁLOVÝ TRH, a.s., Hlinky 104, 647 00 Brno
CIMEX TRADING, a.s., T.G. Masaryka 18, 360 01 Karlovy Vary
CITIBANK, a.s., Evropská 178, 166 40 Praha 6
COOP BANKA, a.s., Benešova 14-16, 601 78 Brno
CREDITANSTALT SECURITIES, a.s., Krakovská 9, 110 00 Praha 1
CS FIRST BOSTON (Praha), a.s., Staroměstské nám. 15, 110 00 Praha 1
ČESKÁ BANKA, a.s., Karoliny Světlé 8, 110 00 Praha 1 (non member of PSE)
ČESKÁ POJIŠŤOVNA, a.s., Spálená 16, 110 00 Praha 1 (non member of PSE)
ČESKÁ SPOŘITELNA, a.s., Olbrachtova 62, 140 00 Praha 4
ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a.s., Na Příkopě 14, 115 20 Praha 1
EASTBROKERS, a.s., Týnská 3, 110 00 Praha 1
EB BROKERS, a.s., U šesté baterie 86/17, 162 00 Praha 6
EFEKTA FINANCE, a.s., Kopečná 41, 602 00 Brno
EXPANDIA FINANCE, a.s., Na Příkopě 21, 110 00 Praha 1
FIO, BURZOVNÍ SPOLEČNOST, a.s., Senovážné nám. 24, 116 47 Praha 1
FUND OF NATIONAL PROPERTY OF THE CZECH REP., Rašínovo nábřeží 42, 128 00 Praha 2
GOLDIES, a.s., Celetná 12, 110 00 Praha 1
HARVARDSKÁ BURZOVNÍ SPOLEČNOST, a.s., nám. Hrdinů 4, 140 00 Praha 4
HYPO-BANK CZ, a.s., Štěpánská 33, 110 00 Praha 1
IC BANKA, a.s., Pobřežní 3, 186 00 Praha 8 - Karlín
ICEBERG, a.s., Hybernská 12, 115 94 Praha 1
imAGe 1, a.s., Opletalova 33, 110 00 Praha 1
ING BARING CAPITAL MARKETS (C.R.), a.s., Pobřežní 3, 186 00 Praha 8
INTERBANKA, a.s., Václavské nám. 40, 110 00 Praha 1
INVESTIČNÁ A ROZVOJOVÁ BANKA, a.s., Štúrova 5, 818 55 Bratislava
INVESTIČNÍ A POŠTOVNÍ BANKA, a.s., Senovážné nám. 32, 114 03 Praha 1
INVESTKONZULT, s.r.o., Osadní 26, 170 00 Praha 7
KAPITÁLOVÁ INVESTIČNÍ SPOLEČNOST ČESKÉ POJIŠŤOVNY, a.s., Školská 3, 110 00 Praha 1
KATNEK SECURITIES, a.s., U Demartinky 2561/1, 150 00 Praha 5
KOMERČNÍ BANKA, a.s., Na Příkopě 33, 114 07 Praha 1
KOMERO, s.r.o., Fügnerovo nám. 3, 120 00 Praha 2
KRÁLOVÉHRADECKÁ BROKERSKÁ, a.s., Škroupova 9, 500 02 Hradec Králové
KREDITNÍ BANKA, a.s., Skrětova 8, 306 08 Plzeň (non member of PSE)
LIFOX, a.s., Novodvorská 1010/14, 140 00 Praha 4
MERX, a.s., Dlouhá 39, 110 00 Praha 1
MORAVIA BANKA, a.s., Palackého 133, 738 02 Frýdek Místek

MORAVIA BROKER, spol. s r.o., Ztracená 36, 771 00 Olomouc
MORAVSKOČESKÁ BURZOVNÍ SPOLEČNOST, s.r.o., Masná 1, 700 39 Ostrava 1
OESTERREICHER a spol., s.r.o., V jámě 12, 110 00 Praha 1
PATRIA FINANCE, a.s., Husova 5, 110 00 Praha 1
PRAGOBANKA, a.s., Vinohradská 230, 100 00 Praha 10
PRAŽSKÁ BROKERSKÁ, a.s., Jugoslávská 16, 120 00 Praha 2
PROCAP SECURITIES, spol. s r.o., Rybná 14, 110 05 Praha 1
SATI, spol. s r.o., Na Parukářce 12, 130 00 Praha 3
SLOVENSKÁ SPORITEĽŇA, a.s., Suché mýto 4, 816 07 Bratislava
SOCIETE GENERALE BANKA, a.s., Pobřežní 3, 180 00 Praha 8
STRATEGO INVEST, a.s., Jindřišská 27, 110 00 Praha 1
STŘEDOEVROPSKÁ BURZOVNÍ SPOLEČNOST, a.s., Odborů 3/281, 120 00 Praha 2 (non member of PSE)
TEG, a.s., Chlumčanského 5, 180 00 Praha 8
UNION BANKA, a.s., ul. 30. dubna 35, 702 00 Ostrava
UNIVERSAL BANKA, a.s., Velká Hradební 484/2, 400 01 Ústí nad Labem
VÚB, a.s., nám. SNP 19, 818 56 Bratislava
ZEMSKÁ BANKA, a.s., Krapkova 4, 772 26 Olomouc
ŽIVNOSTENSKÁ BANKA, a.s., Na Příkopě 20, 110 03 Praha 1
ZVĚŘINA A BĚLOHLÁVEK, s.r.o., Prague branch, Rybná 14, 110 00 Praha 1



THE MEMBERS

CZECH NATIONAL BANK, Na Příkopě 28, 110 03 Praha 1
ABN AMRO Bank N.V., Prague branch, Revoluční 1, 110 15 Praha 1
ALPHA BROKER, a.s., Broker's Company of Česká pojišťovna, Italská 2, 120 00 Praha 2
BALLMAIER & SCHULTZ CZ, s.r.o., ul. 28. října 3, 110 00 Praha 1
BANKOVNÍ DŮM SKALA, a.s., Seifertova 9, 130 00 Praha 3
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CAPITAL PARTNERS, a.s., Dušní 22, 110 05 Praha 1
CAUTUS FINANCE, s.r.o., Stodolní 2, 702 00 Ostrava 1
CITICORP SECURITIES (CR), s.r.o., Evropská 178, 166 40 Praha 6
CONSEQ FINANCE, s.r.o., V Celnici 5/1040, 110 00 Praha 1
CONSUS - družstvo, Václavské nám. 43, 110 00 Praha 1
CRASSUS, s.r.o., Čermáková 7, 120 00 Praha 2
C.S. BROKERS, a.s., Perlová 1, 111 01 Praha 1
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DYNAMIC CAPITAL INVEST, a.s., 1. pluku 8-10, 186 00 Praha 8
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EPIC SECURITIES, a.s., Karlovo nám. 24, 110 00 Praha 1
 EURO PROGRES, a.s., Ostrovského 3, 150 00 Praha 5
 EVROBANKA, a.s., Strossmayerovo nám. 1, 170 01 Praha 7
 EVROPSKÁ, s.r.o., Nad Soutokem 1418, 143 00 Praha 4
 FINTRANS, a.s., Letenská 1, 110 00 Praha 1
 GLOBAL BROKERS, spol. s r.o., Konviktská 12, 111 00 Praha 1
 HB CAPITAL, a.s., U Zvonařky 14, 120 00 Praha 2
 IB AUSTRIA SECURITIES PRAHA, a.s., nám. Kinských 2/602, 150 00 Praha 5
 I.M.C. BURZOVNÍ SPOLEČNOST, a.s., Jankovcova 2, 170 88 Praha 7
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 NEWTON STOCK INVESTMENT, a.s., Vyšehradská 49/320, 120 00 Praha 2
 OFT BROKERS, spol. s r.o., Nad Pahorkem 403/24, 140 00 Praha 4
 PODNIKATELSKÁ BANKA, a.s., Roháčova 79, 130 00 Praha 3
 P & P BROKERS, a.s., nám. T.G. Masaryka 16, 796 01 Prostějov
 PPF BURZOVNÍ SPOLEČNOST, a.s., Oldřichova 15, 128 00 Praha 2
 PRAGUE INTERNATIONAL SECURITIES, s.r.o., Evropská 178, 160 67 Praha 6
 PRO ANO, spol. s r.o., Na Pankráci 11, 140 00 Praha 4
 ProFin, a.s., Koblížná 2, 602 00 Brno
 PROSPER FINANCE, a.s., ul. 28. října 82, 702 00 Ostrava 1
 PRVNÍ MĚSTSKÁ BANKA, a.s., Malé nám. 11, 110 05 Praha 1
 RAIFFEISEN CAPITAL & INVESTMENT PRAHA, s.r.o., Vodičkova 38, 110 00 Praha 1
 REALITBANKA, a.s., Rybná 15, 110 00 Praha 1
 RENTIA CAPITAL, spol. s r.o., Kotlářská 53, 658 90 Brno
 RH FIN, a.s., Hněvkovská 24/1234, 148 00 Praha 4 - Horní Roztyly
 SEVERNÍ BROKERSKÁ SPOLEČNOST, s.r.o., Horova 1, 400 01 Ústí nad Labem
 SILAS BROKER, s.r.o., Vítkovická 1, 701 00 Moravská Ostrava
 STOCK CONSULT, spol. s r.o., Na Zámecké 11, 145 00 Praha 4
 TIPAINVESTING, spol. s r.o., U Obůrky 5, 674 01 Třebíč
 TOPFIN, a.s., Nad Údolím 499/9, 147 00 Praha 4 - Hodkovičky
 VELKOMORAVSKÁ BANKA, a.s., centrála Praha, Opletalova 19, 110 00 Praha 1
 VEREINSBANK (CZ), a.s., Italská 24, 121 49 Praha 2
 WOOD AND CO., s.r.o., Martinská 4, 110 00 Praha 1

The Prague Stock Exchange had registered 109 members at December 31, 1996, of which 58 were PSE shareholders and 5 more shareholders were not members of the PSE.



FINANCIAL PART

AUDITOR'S REPORT

We have audited the closing financial statements, attached, as prepared by the Prague Stock Exchange, a joint stock company, as at December 31, 1996. The Company management is accountable for the preparation of the annual closing financial statements and for the Company book-keeping that is expected to be in a complete, supportable and correct manner, fully complying with the relevant laws and other relevant statutory regulations. Our responsibility is to provide our opinion on the financial statements as a whole, doing so on the basis of this exercised audit.

This audit was exercised in accordance with the Act, No. 524/1992, Coll., on Auditors and Auditors' Chamber of the Czech Republic, and with the Auditor's Directives issued by the Auditors' Chamber. These Directives require that we plan and exercise our audit with the aim to acquire a reasonable degree of assurance that the financial statements contain no major irregularities. Exercised on a selective basis, the audit includes verification of accounting records, consideration of the accounting procedures and significant estimates applied to the processing of the closing statements by the Company, as well as it provides the Auditor's judgement regarding the overall presentation of the annual closing statement of accounts. Based on the outcome of the auditor's procedures applied, we have disclosed no facts which would indicate that the accounting records of the Company would not be complying with the valid laws and statutory regulations in all the substantial aspects examined. We believe, this exercised audit provides a reasonable platform for our final statement regarding the annual closing statement of accounts.

In our opinion, the financial statements concerned give a true and fair view of the state of the Prague Stock Exchange's assets, liabilities, equity capital and of its financial position as at December 31, 1996, and of its profit and source and application of funds for the accounting period of 1996, in all the substantial aspects examined, and fully in compliance with the Accounting Act, No. 563/1991, Coll., and with other relevant statutory regulations.

In Prague, on April 30, 1997

Deloitte & Touche

Auditor's Company:
Deloitte & Touche, s. r. o.
Licence No. 79

K. Hampl

Auditor in charge:
Karel Hampl
Certificate No. 005

BALANCE SHEET - ASSETS (CZK '000)

	Jan. 1, 1996	Dec. 31, 1996
Receivables for subscriptions	35,435	0
Fixed assets	593,605	582,648
Intangible fixed assets	19,774	29,204
Tangible fixed assets	197,246	550,544
Financial investments	376,585	2,900
Current assets	94,043	106,863
Inventory stock	94	198
Long-term receivables	0	9,475
Short-term receivables	34,903	35,307
Financial assets	59,046	61,883
Other assets	3,128	2,433
Total assets	726,211	691,944

BALANCE SHEET - LIABILITIES (CZK '000)

	Jan. 1, 1996	Dec. 31, 1996
Equity	428,976	440,385
Registered capital	384,948	384,948
Capital funds	35,948	35,948
Legal reserve fund	799	1,799
Profit of previous years	855	5,738
Profit of current accounting period	6,426	11,952
External liabilities	294,592	249,319
Other reserves	4,064	3,920
Short-term liabilities	59,528	47,399
Bank credits and assistance	231,000	198,000
Other liabilities	2,643	2,240
Total liabilities	726,211	691,944

PROFIT AND LOSS STATEMENT AT DECEMBER 31, 1996 (CZK '000)

Revenues from sales of services	231,022
Sales-related consumption	132,173
Personnel expenses	56,347
Taxes and levies	105
Other operating revenues	61,094
Other operating expenses	447
Amortisation of tangible and intangible fixed assets	55,862
Revenues from sales of fixed assets and material	8,216
Residual cost of sold fixed assets and material	20,735
Accounting for reserves, accruals and adjustments to revenues	1,093
Accounting for adjustments to operating expenses	4,796
Creation of reserves and accruals to operating expenses	1,000
Operating profit	29,960
Financial revenues	6,692
Financial expenses	22,790
Accounting for reserves to financial revenues	64
Creation of reserves to financial expenses	8
Loss from financial operations	(16,042)
Income tax on ordinary activities	2,418
- due	3,833
- deferred	(1,415)
Ordinary income	11,500
Extraordinary revenues	597
Extraordinary expenses	123
Income tax on extraordinary activities	22
Extraordinary profit	452
Profit of current accounting period	11,952
Profit before taxation	14,392

PROFIT APPROPRIATION (CZK '000)

Profit of current year	11,952
Legal allocation to reserve fund	1,000
Royalties payment	600
Retained profit of current year	10,352

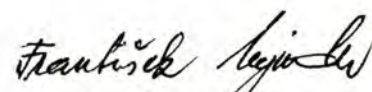
REPORT OF THE SUPERVISORY BOARD

In 1996, the Supervisory Board discussed its subject matters at 6 meetings held in January, March, May, June, September and December, respectively. In exercising its controlling functions, it followed the relevant provisions of the law, by-laws of the Exchange, directives and resolutions of the General Meetings of shareholders. At its meetings, it discussed, on a continuous basis, financial position of the Exchange and state of the Exchange's assets, made familiar itself with the decisions both being just prepared and those already adopted by the Exchange Chamber, as well as with new exchange regulations. The Supervisory Board also discussed suggestions received from the Exchange Chamber, shareholders and Exchange members, Exchange Commissioner, and from other entities.

In addition to that, the Supervisory Board exercised, in 1996, a check focused on activities of the Inspection / Legal Department of the Exchange, Stock Exchange Register of Securities, a limited liability company, before its transformation into a joint stock company, and salary developments regarding the Exchange's administration staff. At the beginning of 1997, under the preparations for the annual closing of the Exchange's financial statements for 1996, the Supervisory Board exercised a documentary examination on how individual budgetary items of the Exchange's budget are drawn and utilised and economic contracts made fulfilled. No substantial irregularities or shortcomings in the Exchange's operation were disclosed during those checks. Based on the conclusions drawn therefrom, the Supervisory Board passed recommendations for the Exchange Chamber and for the Management of the Exchange. Having thoroughly examined the annual closing financial statements for 1996, and the proposal for appropriation of profit for 1996, both of them duly verified by the auditor's, the Supervisory Board recommended to the General Meeting of the Exchange shareholders for approval of the submitted annual closing financial statements and the profit appropriation proposal.

At its September's meeting, it had discussed a notice of resignation from post of Chairman of the Supervisory Board, as submitted by Martin Kryl and elected František Vejmla, the new Chairman of the Supervisory Board.

The Supervisory Board, under its scope of authorities, watched over the optimum operation of exchange activities and over their further development.



František Vejmla
Chairman of the Supervisory Board



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