



Annual Report **2006**
Prague Stock Exchange

2006





PRAGUE STOCK EXCHANGE
BURZA CENNÝCH PAPÍRŮ PRAHA

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Company Profile

The Prague Stock Exchange is the biggest and oldest organizer of the exchange market with investment instruments in the Czech Republic. It is a stock company and trading is realized through Exchange members. The company's highest executive body is the General Meeting, the statutory body directing its activities is the Exchange Chamber. The business and work in general is supervised by the Supervisory Board. The Company is supervised by the General Director, who is appointed and dismissed by the Exchange Chamber.

The Prague exchange market has, during the time of its existence, become a stable and widely respected market. The Exchange itself is a member of the Federation of European Securities Exchanges (FESE) and bears the status of the so-called "Designated Offshore Securities Market," appointed by the American Securities Commission.

The results of exchange trades are released on the Exchange Internet pages www.pse.cz, and are also made public via media and information agencies.



Highlights of 2006

- 4 January** The main index of PSE closed over the limit of 1,500 points for the first time in its history, when it reached the closing value of 1,503.7 points.
- 26 January** Commencement of trading with issue shares of Erste Bank under the name of EBSN.
- 28 February** Termination of calculating departmental indices BI07 – chemical, pharmaceutical and rubber-making industries, BI12 – power engineering and BI16 – services.
- 20 March** Initiation of calculating the new principal index of the Prague Exchange named PX. The new index became an equivalent successor of indices PX 50 and PX-D, while it took over the 12-years history of the PX 50 index and resumed its development.
- 30 March** The Exchange organized a conference on the topic of Pension Reform and its impact on the capital market. Among the presenters were renowned experts in foreign affairs, headed by one of the authors of the pension reform of Chile – Augusto Iglesias Palau, and the author of the Slovak pension reform – Mr. Ľudovít Kaník.
- 7 April** The Prague Stock Exchange became, according to published results of the survey CZECH TOP 100, one of the most admired companies in the Czech Republic, when it took third place in the category of Financial Institutions and Other Financial Intermediaries.
- 23 May** The daily trade value in SPAD reached the record-breaking amount of CZK 10,878 billion, when it improved the one day old record (CZK 8,860 billion) for 22.77%.
- 24 May** Consolidation of issues of ERSTE BANK and EBSN, whose issuer is Erste Bank. After the consolidation of both issues, the ERSTE BANK issue has continued to be traded.
- 13 June** The daily trade value in SPAD once again reached its record-breaking amount, this time CZK 11,367 billion.
- 15 June** The PX Index reached its highest daily growth since its starting date, the 5 April 1994, when it grew by 7.30%. So far, the PX Index has improved its standing most on the 11 May 1999 by 5.99%.
- 28 June** The main information portal of the Prague Stock Exchange has a new form. Activation of the new web site crowned the project of changing the company's corporate identity, which was started by changing the logo in autumn 2005. The Exchange web site has been working continuously since 1996.

► Highlights of 2006

- 18 July** The Exchange received an extended license from the Czech National Bank allowing trading with new types of investment instruments. The extended license allows the Exchange to organize trading with investment certificates, option units, other domestic securities with which similar right can be connected, and foreign securities having similar rights (warrants).
- 2 October** The Prague Exchange General Director Petr Kobic signed an agreement in Ho Chi Minh City on cooperation between The Prague Stock Exchange and its Vietnamese counterpart. The subject of cooperation between the Prague Stock Exchange and the Ho Chi Minh City Securities Trading Center should be the exchange of information on the development of capital markets in both countries and on the issuers who operate on them.
- 4 October** The Exchange began trading with investment certificates. The first certificates ever put on the official free market of the Prague Exchange, were certificates CTX and CEEXT.
- 5 October** The Exchange began trading with futures contracts on the special regulated market. The first product, which the Prague Stock Exchange offered its investors, were futures contracts for the main PX Index.
- 5 December** The PX Index closed at the value of 1,600.4 points and for the first time in its existence it surpassed the limit of 1,600 points.
- 7 December** Trading with a new issue of shares of ECM Real Estate Investments AG began in SPAD.
- 11 December** Commencement of trading with ECM warrants on the official free market. Warrants of ECM Real Estate Investments AG are the first instruments of the kind, introduced to the Prague market.
- 18 December** New issue of shares PEGAS of Pegas Nonwovens SA entered the Prague market. The issue was ranked among the elite segment of SPAD, where only blue-chips titles are traded.
- 21 December** The Prague Exchange General Director Petr Kobic announced at the press conference with the Minister of Industry and Trade Martin Říman the intention to found the Prague Energy Exchange, which will serve as a platform for organized trading with electricity.



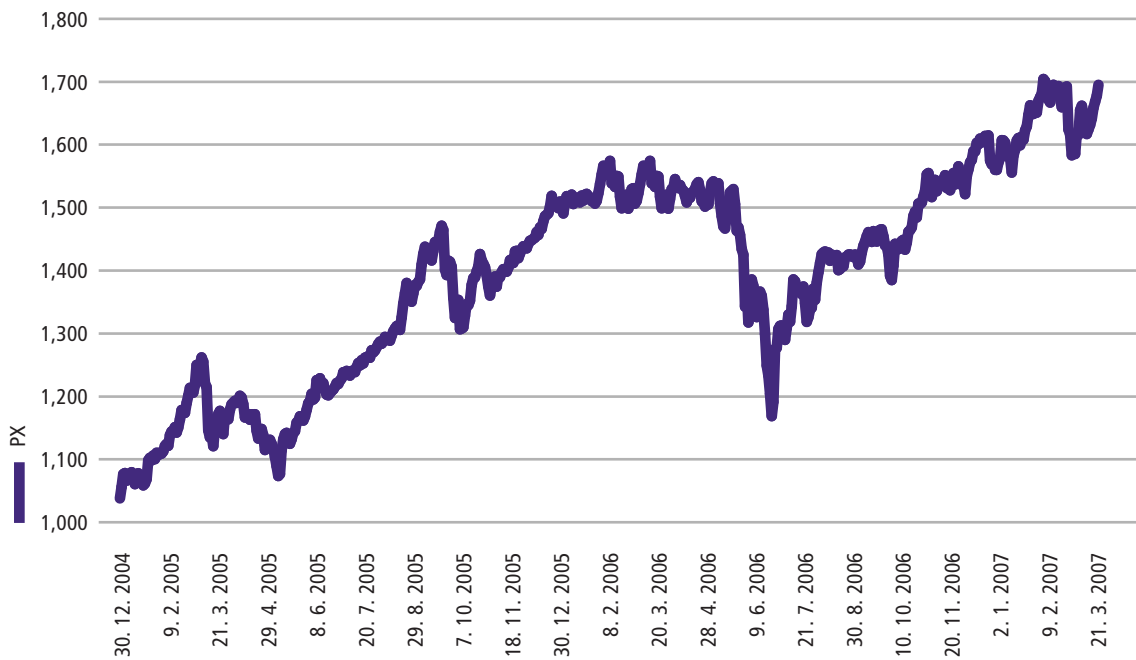
Year 2007

- | | |
|--------------------|---|
| 29 January | The offer of Prague Exchange derivatives expanded by the so-called single stock futures for ČEZ and ERSTE BANK issues. |
| 1 February | Ministry of Industry and Trade granted the Prague Energy Exchange state permission, which allows the institution, in accordance with its intention, to organize the electric energy market. |
| 6 February | The PX Index once again shifted its record-breaking closing value, when it surpassed, for the first time in its history, the limit of 1,700 points and closed the trade day at the value of 1,718.4 points. |
| 19 February | The Prague Stock Exchange launched new Internet pages www.px.cz , designated for commencing investors. |
| 8 March | The Prague Stock Exchange became a partner of the recently founded University Unicorn College, specializing in Information and Communication Technology and Management. |
| 29 March | The Prague Stock Exchange decided, together with its shareholders, to participate in the announced privatisations of the Sophia Stock Exchange and communicated its intention to the Bulgarian side. |



Selected Indicators

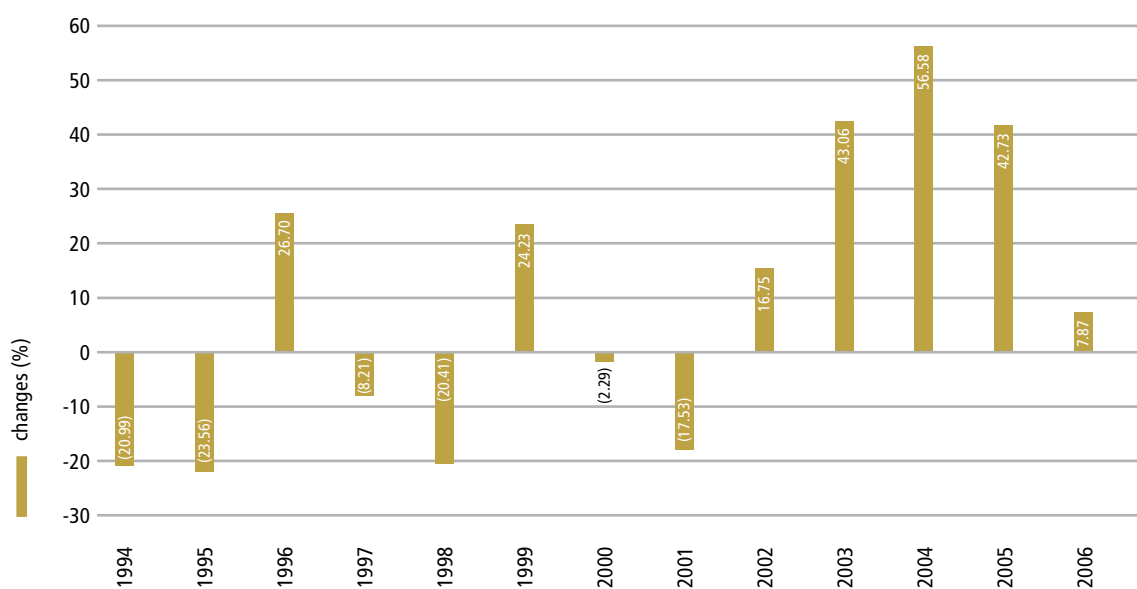
PX Index from 30 December 2004 to 21 March 2007





▶ Selected Indicators

Year-on-year changes in the PX Index



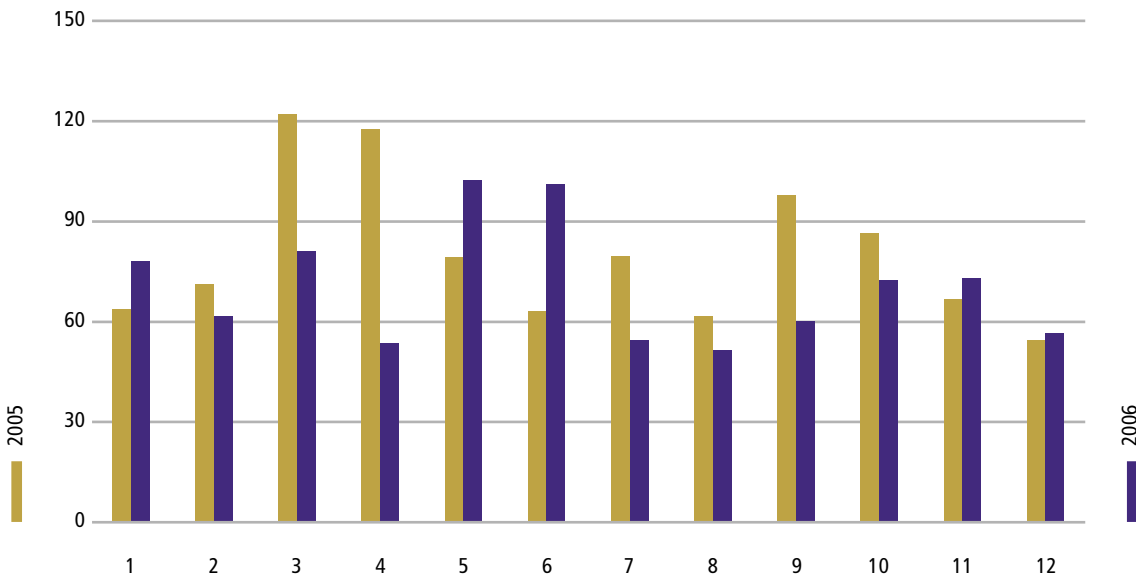


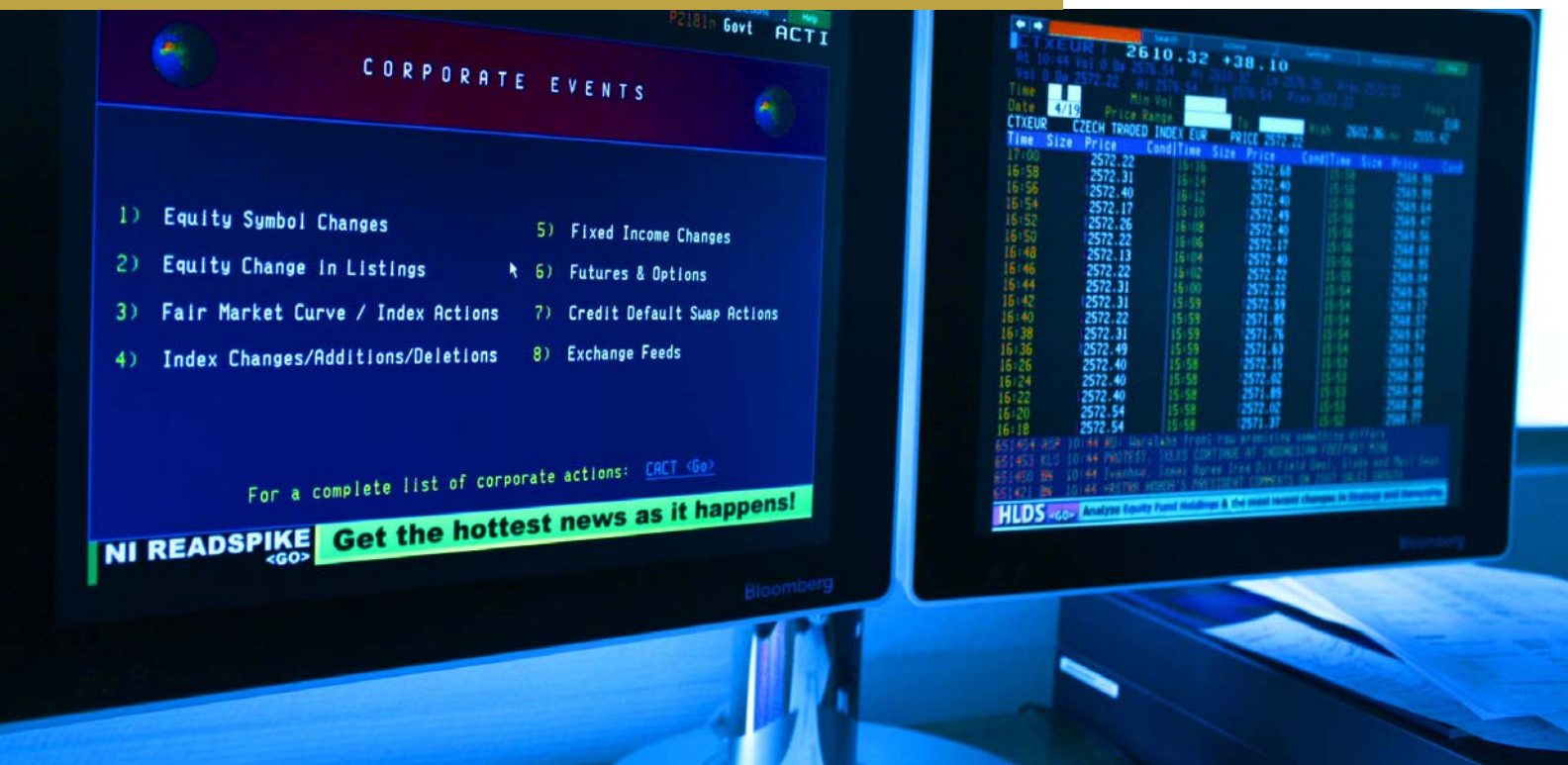
PRAGUE STOCK EXCHANGE
BURZA CENNYCH PAPIRŮ PRAHA

investiční certifikáty

► Selected Indicators

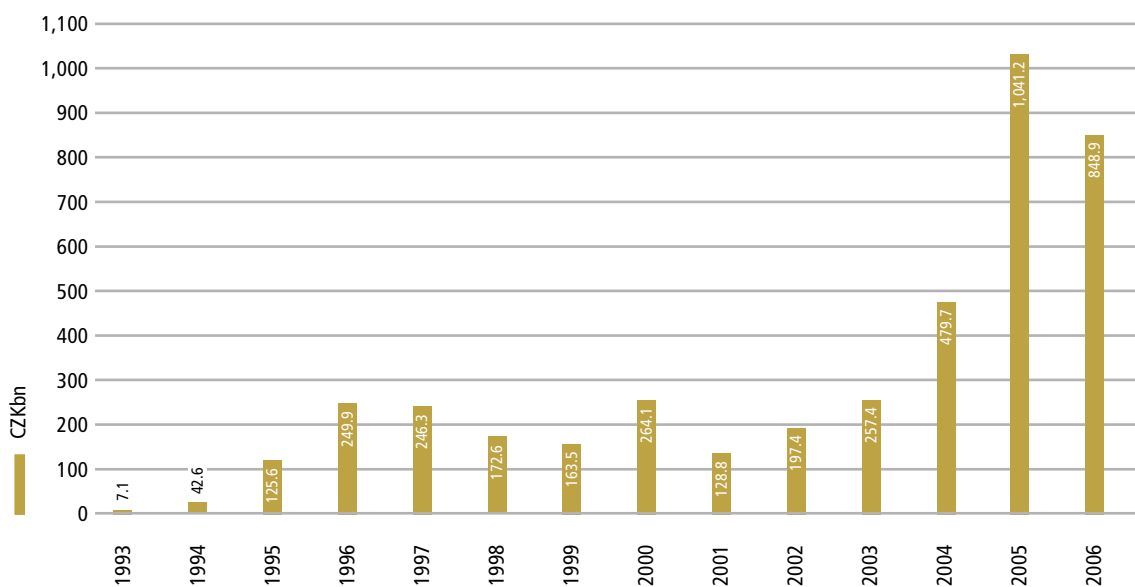
Monthly value of trades in shares from 2005 – 2006 (CZKbn)





▶ Selected Indicators

Yearly value of trades on the share and unit markets





Key Annual Data

Key Annual Data for the period 2000 – 2006

	2006	2005	2004	2003	2002	2001	2000
Number of trading sessions	251	253	252	251	250	250	249
Shares + Units							
Total Yearly value (CZKbn)	848.9	1,041.2	479.7	257.4	197.4	128.8	264.1
Average total daily value (CZKm)	3,382.1	4,115.3	1,903.4	1,025.7	789.6	515.2	1,060.8
Market capitalization *) (CZKbn)	1,592	1,330.8	975.8	644.5	478.0	340.3	442.9
Number of issues *)	32	39	55	65	79	102	151
PX Index *)	1,588.9	1,473.0	1,032.0	659.1	460.7	394.6	478.5
Bonds							
Total Yearly value (CZKbn)	598.9	533.2	692.5	1,110.1	1,595.7	1,858.4	958.7
Average total daily value (CZKm)	2,386.1	2,107.7	2,747.9	4,422.7	6,382.7	7,433.5	3,850.2
Number of issues *)	110	96	79	81	74	84	94
Other products							
Investment Certificates and Warrants							
Total Yearly value (CZKm)	5.2						
Number of issues *)	8						
Futures contracts							
Total Yearly value (CZKm)	32.2						
Number of series *)	2						

*) at 31. 12.



Company Structure

Company structure at 31 December 2006





Foreword of the Chief Executive Officer

Dear Shareholders, Dear Business Friends,

This year we would like to present you slightly different material than a typical Annual Report. The Prague Stock Exchange is significantly expanding its activities. Besides its traditional subsidiary, UNIVYC, which is involved in the settlement of securities and derivatives, the Prague Energy Exchange and Central Counterparty have been created. We would like to use this publication to introduce you to the basic trading activities and vision of all companies which starting as of this year are represented by a common logo – PX.

Please allow me to start in a standard way, however, and look back at 2006 through the lens of the Stock Exchange.

The year 2006 was the year of several watershed events in the history of the Prague Stock Exchange. Some of them were visible at first glance from the outside and we could celebrate them all together. These included in particular two IPOs, conducted at the end of the year, which hopefully finally broke a certain barrier of mistrust with which businesses regarded the capital market as a place for acquiring financing.

Another major point in our exchange's history was the 5 October, when after years of uncompleted attempts trading in derivatives was successfully launched. Although it may sound paradoxical to the uninformed observer, the trading was launched in the end in a record time – the span between the respective Exchange Chamber's decision and the start of the programming work on the system was less than a year.

Perhaps the most revolutionary news at the end of 2006 was the public announcement of the creation of the Prague Energy Exchange, which is expected to start trading in July 2007. I think that such an extremely short time of preparation for trading with a completely new legal entity is the best proof of the quality of our systems, and mainly the professionalism of our employees.

Given the willingness of our shareholders to develop the Exchange further and support it in regional acquisitions, I think that a very active future awaits us.

Wish us luck!

Petr Koblíček

Prague, 23 May, 2007



Exchange Activities in 2006

Trading and Securities

A great challenge for the Trading and Securities Department in 2006 was, together with other Exchange bodies, to ensure the entry of new products to the Exchange. This process already began at the beginning of the year by attempts to standardize rules for main exchange index calculation in such a way, that it could be used as an underlying asset for derivative-type products. At the same time it was necessary to prepare documents for license procedure allowing trading with new products and internal rules covering processes of acceptance, trading and settlement of these products.

The result of this process was the commencement of trading with investment certificates, warrants and last but not least, futures contracts. The development of trade value of these products gives evidence to the fact that they have found their investors.

Towards the end of 2006 the Trading and Securities Department participated in the process of entry of two societies to the Exchange. They were IPO of ECM Real Estate Investments A.G. and PEGAS Nonwovens. The interest in the securities of these societies was enormous and the fact that it was not only from the side of institutions, but also retail investors was pleasing.

► Exchange Activities in 2006

Exchange Indices

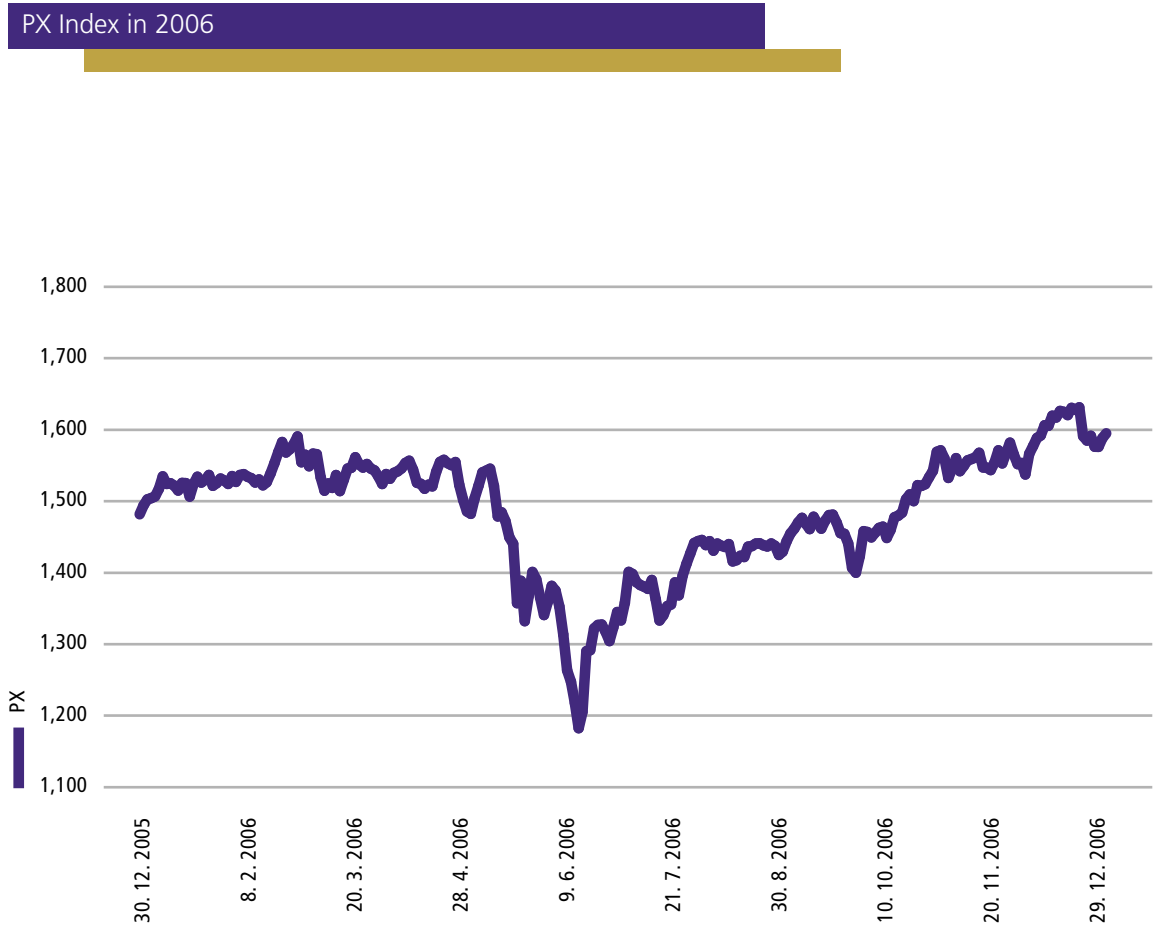
The new exchange PX Index replaced the indices PX 50 and PX-D on 20 March 2006. By doing so it also took over more than 12 years of the PX 50 Index history and resumed its development. Values of indices PX 50 and PX-D were calculated for the last time on the 17 March 2006. The PX Index base is updated four times a year, the issue share on the market capitalization base has not to exceed 25% on the record date. The PX Index base valid from the 19 March 2007 held 11 following issues: CETV, ČEZ, ECM, ERSTE BANK, KOMERČNÍ BANKA, ORCO, PHILIP MORRIS ČR, PEGAS NONWOVENS, TELEFÓNICA 02 C.R., UNIPETROL and ZENTIVA. Reduction in the number of securities used to the index calculation was applied to issues of ČEZ and ERSTE BANK. Detailed information about the new PX Index can be found at the following address: http://www.pse.cz/vysledky/stats_burzovni_indexy.asp

The official Exchange PX Index closed at the value of 1,588.9 points and its inter-annual growth was 7.9%. The PX-GLOB Index marked the growth of 9.7%. Detailed information about cross-section indices is shown in the table below.

INDEX	Value 30. 12. 2005	Value 29. 12. 2006	Change (%)	Annual maximum	Date maximum	Annual minimum	Date minimum
PX	1,473.0	1,588.9	7.87	1,626.1	18. 12. 2006	1,166.6	13. 6. 2006
PX-GLOB	1,811.3	1,987.4	9.72	2,031.5	18. 12. 2006	1,477.7	13. 6. 2006

The last update of the PX-GLOB Index base took place the 5 March 2007. The valid base of PX-GLOB Index contained 29 issues of shares. The reduction in number of securities used in the index calculation was applied to ČEZ and ERSTE BANK issues.

▶ Exchange Activities in 2006





► Exchange Activities in 2006

Evaluation of trading results in 2006

Share Market

Year 2006 with the achieved amount of CZK 848.9 billion, ended in second place in the history balance of values of trades of the share market. In comparison with the winning year 2005 (value of CZK 1,041.2 billion) a drop of 18.5% was marked. The average daily value of CZK 3,382.1 million is lower by 17.8% than the average CZK 4,115.3 million in 2005.

The most successful month was the month of May with a trade value of CZK 109.8 billion. Out of the total annual trade value, the trade segment SPAD ensured 91.56%, block trading 5.53%, and 2.91% for auction and continual mode.

In the list of the most liquid issues the first ten positions are taken by issues that were traded in the SPAD segment during the year 2006. The most marketed issue was ČEZ, followed by the issues of ZENTIVA and KOMERČNÍ BANKA, as can be retrieved from the table below.

10 issues of shares with the highest trade values in 2006

Serial number	Name of Issue	Trade value (CZK million)	Share (%)	Annual change of rate (%)
1	ČEZ	347,499.00	40.94	30.38
2	ZENTIVA	107,218.19	12.63	11.62
3	KOMERČNÍ BANKA	105,570.78	12.44	-9.94
4	TELEFÓNICA O2 C.R.	98,669.90	11.62	-9.25
5	ERSTE BANK	58,092.97	6.84	16.69
6	UNIPETROL	48,461.94	5.71	0.77
7	ORCO	28,062.04	3.31	52.29
8	CETV	25,239.07	2.97	3.76
9	PHILIP MORRIS ČR	18,449.62	2.17	-40.61
10	PEGAS NONWOVENS	3,353.21	0.40	-3.93 *

*) Comparison of rates on the day of acceptance of the issue on the main market 18. 12. 2006

► Exchange Activities in 2006

The share market also marked a positive price development. The PX Index showed the inter-annual growth of almost 8%.

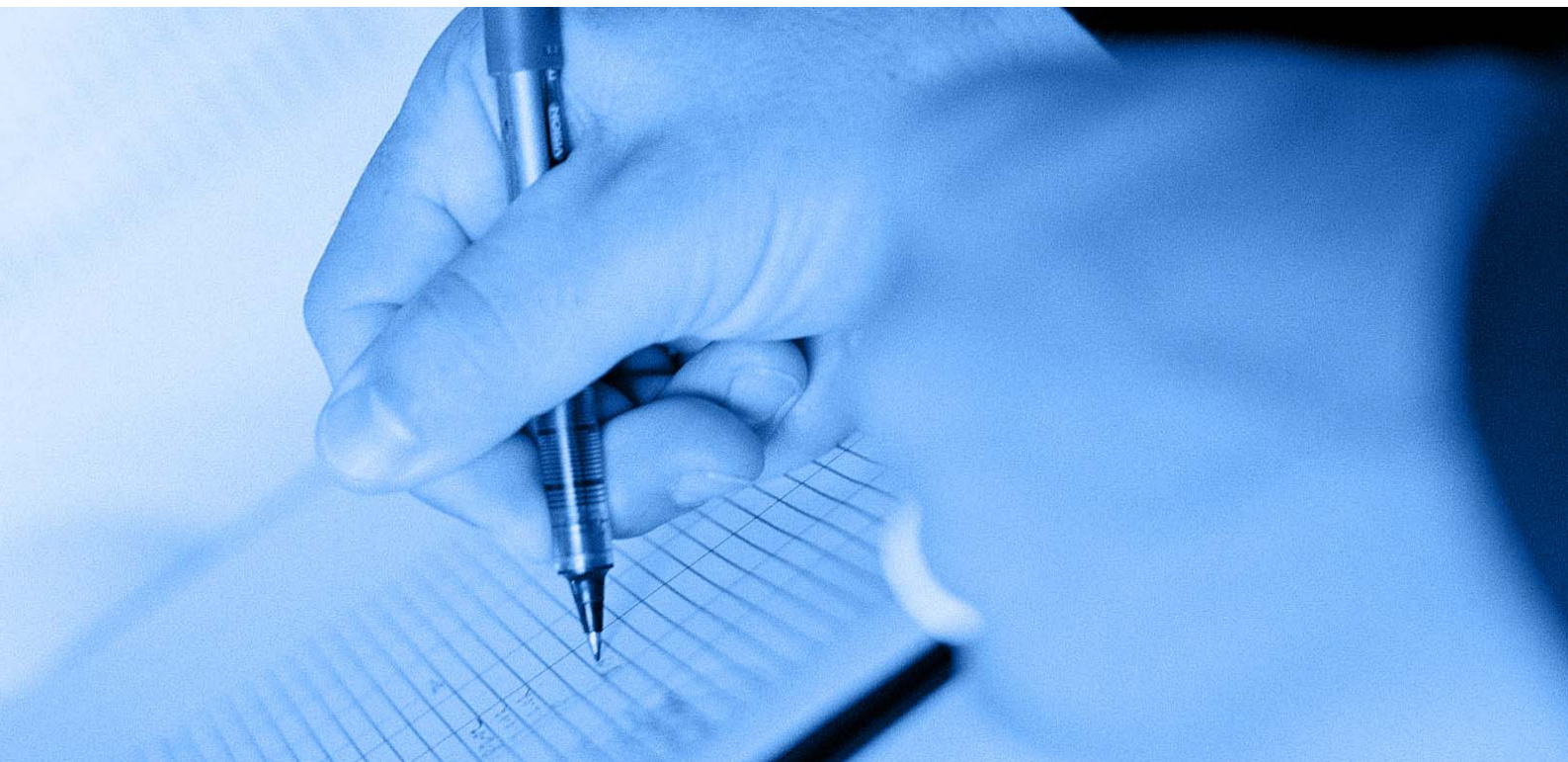
The record-breaking closing value of the PX Index was reached 19 times in 2006.

The share market capitalization grew inter-annually by 19.6%. In the end of 2006 it reached the value of CZK 1,592.0 billion, on which foreign issues participated with CZK 638.1 billion. The number of issues of shares fell from 39 (on the 30 December 2005) to 32 (on the 29 December 2006).

Summary of Market capitalization – shares (at 31. 12.)

	2005 Market capitalization (CZKm)	Number of issues	2006 Market capitalization (CZKm)	Number of issues
The Main market	1,207,865.9	8	1,520,217.5	10
The Secondary market	81,102.7	19	44,094.1	11
The Free market	41,844.6	12	27,684.9	11
Total	1,330,813.2	39	1,591,996.5	32

The summary of Market capitalization includes foreign issues.



► Exchange Activities in 2006

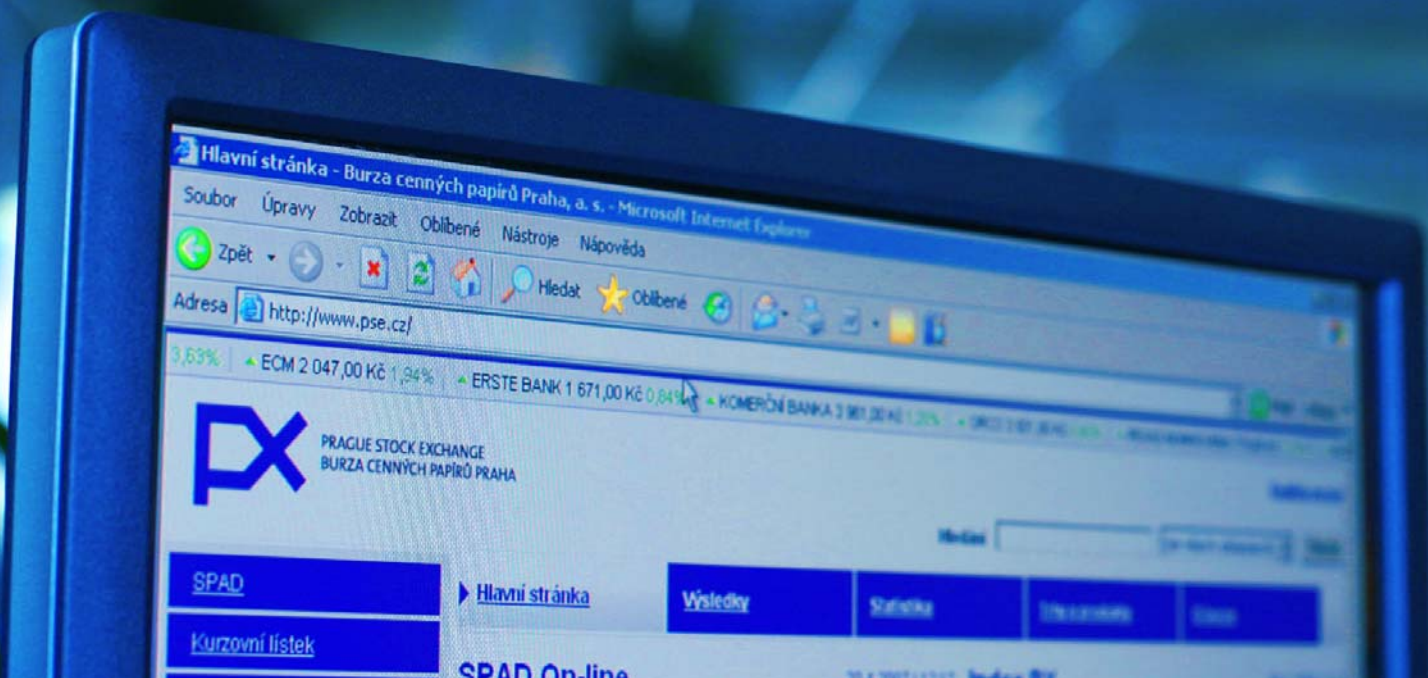
Bond Market

The total bonds trade value reached in 2006 the value of CZK 598.9 billion, a growth of 12.3% (CZK 533.2 billion) was marked in comparison with 2005. As in the previous year, government bonds shared the greatest part of the trade value (89.95%). Mortgage bonds ensured 6.03%, corporate bonds 2.11%, bank bonds 1.90% and municipal bonds 0.01% of the total annual value of bonds trading. Nominal value of Exchange-traded bonds reached the value of CZK 822.8 billion, towards the end of 2006, in comparison with end of year 2005 (CZK 658.8 billion) where it grew by 24.9%.

Other products

Effective from the 4 October the Exchange began trading with investment certificates within the trading with a single specialist. 8 issues of investment certificates were accepted for trading towards the end of 2006, with which trades of value of CZK 5.2 million were realized.

Exchange trading with futures contracts began the 5 October 2006. Two series of futures contracts were offered for the PX Exchange Index. Total trade value of futures contracts reached CZK 32.2 million.



► Exchange Activities in 2006

Value of trades in 2006 by type of the market and securities

	Shares	Bonds	Investment certificates and warrants	Futures contracts
	Value (CZKbn)	Value (CZKbn)	Value (CZKbn)	Value (CZKbn)
Main Market	829.909	543.804	–	–
Secondary Market	0.513	11.812	–	–
Free Market	18.474	43.305	0.005	–
Special Market	–	–	–	0.032
Total	848.896	598.921	0.005	0.032

Value of trades on the bond market in 2006

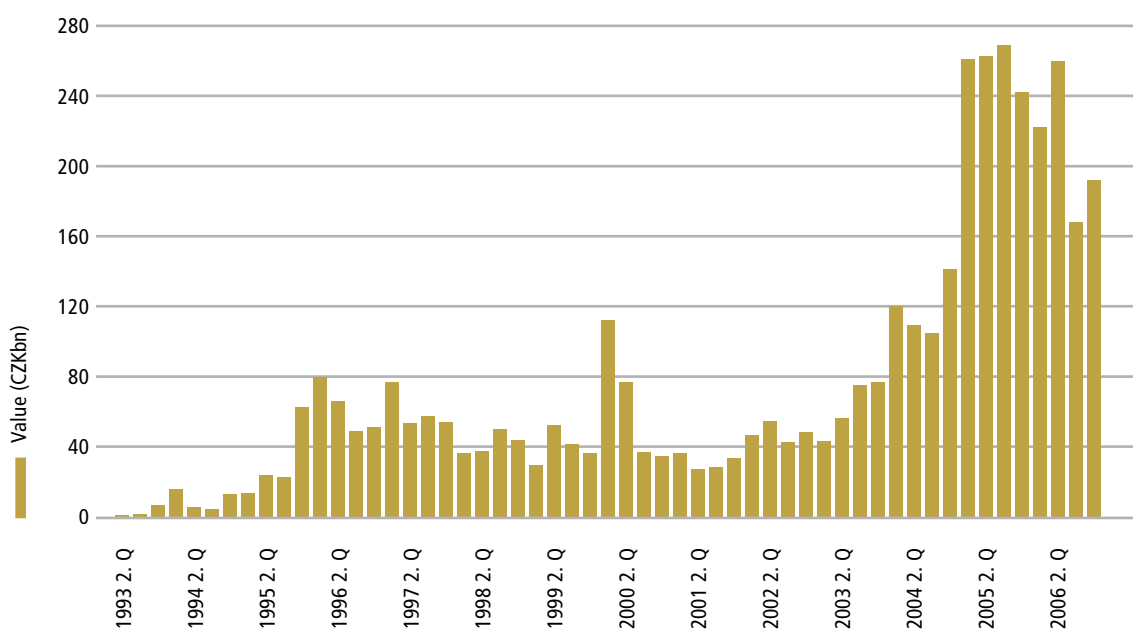
Bond type	Trade value (CZKbn)	Percentage (%)	Nominal value (CZKbn)	Percentage (%)
State bonds	538.732	89.95	588.935	71.59
Municipal bonds	0.081	0.01	5.000	0.61
Corporate bonds	12.649	2.11	51.556	6.27
Bank bonds	11.371	1.90	56.900	6.92
Mortgage debentures	36.088	6.03	120.308	14.62

*) as of 31. 12.



► Exchange Activities in 2006

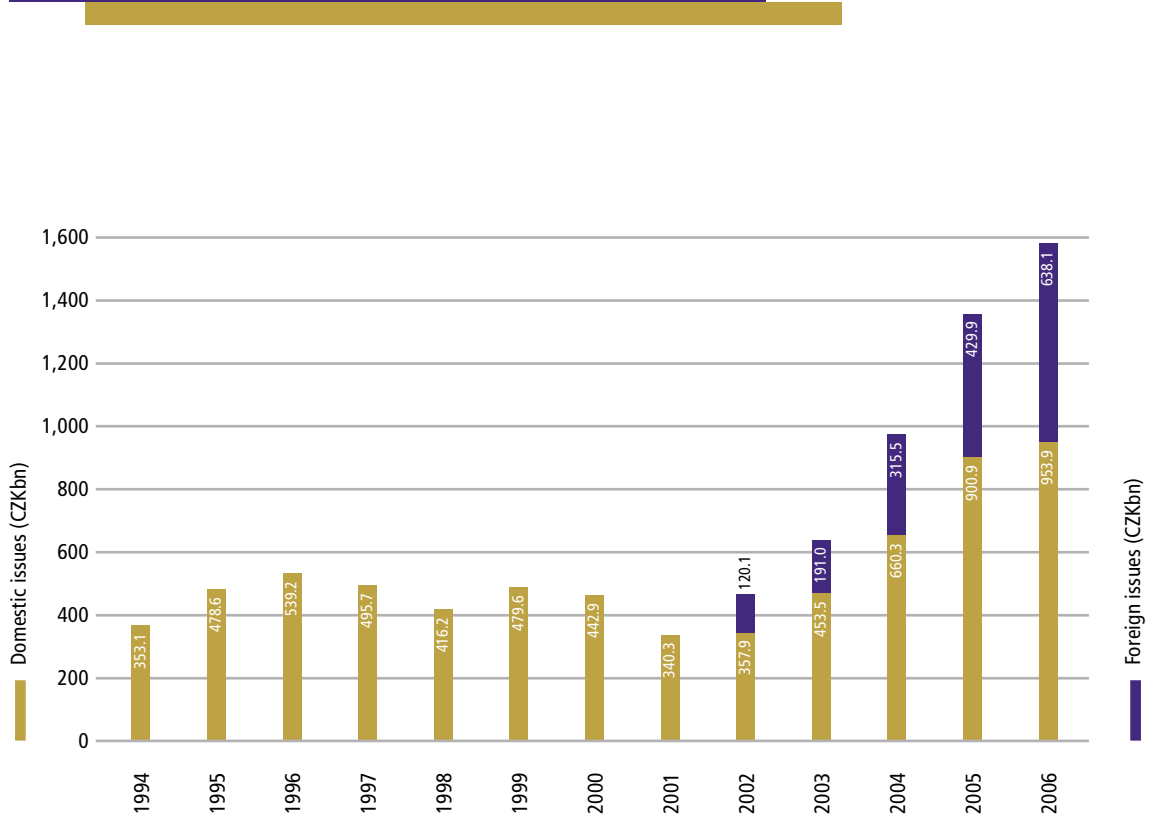
Quarterly values of trades on the share and unit market





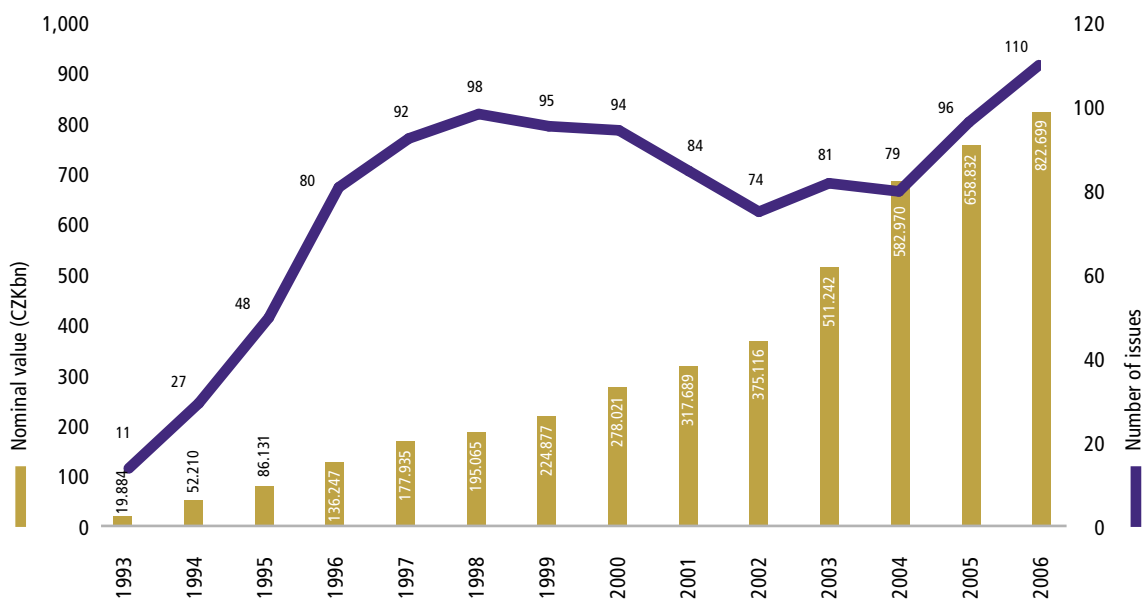
▶ Exchange Activities in 2006

Market capitalization - shares and units (as of 31. 12.)



► Exchange Activities in 2006

Nominal value and number of bond issues (as of 31. 12.)





► Exchange Activities in 2006

Information and Trading System

The main effort of the IT Department in 2006 concentrated on the realization of the project of derivatives trading with maximum use of existing possibilities of trading and settlement system of the Exchange. The quest was to find cost savings, particularly on the side of Exchange members and to shorten the time of realization of the whole project, although the trading and particularly the settlement system were substantially extended. At present, the Exchange and Univyc systems also allow, besides already well-established, the settlement of futures contracts and individual issues of shares, non-leveraged and leveraged investment certificates and warrants.

In the first half of 2006 work continued on the preparation of the central securities depository with an objective of fine-tuning some of the parameters and functions, and the verification of time demand of the transition period, when the information from Univyc databases will be transferred to the central depository database. Other work, especially testing PSE members and Univyc participants will begin after obtaining the license to operate the central depository.

Also the ISMS (Information Security Management System) project continued, within which the document Risk Control Plan was elaborated and solutions of concrete tasks initiated.

During the year, the external audit of technologies used by the Exchange was carried out, including penetration tests, and no serious drawbacks in security were found. Apart from that, a new system was implemented for internal use, allowing the vulnerability of Internet infrastructure elements to be monitored daily, which is used for systematic enhancement of security of Exchange Internet services.

The recently created pages of the public website were realized using modern technologies asp.net, while changing the design of the information layout also made their contents transparent.

Reconstructing the information centre increased the reliability and availability of systems in case of power failure.

Reinforcement of the disc subsystem of main trading servers IBM iSeries enabled the required availability and response of applications also during operating peaks.

Employees of the Exchange IT Department verified the method of authentication of internal users by a chip card in practice. Its application will introduce two-factor authentication and remove the necessity of using more passwords.



► Exchange Activities in 2006

Inspection Activity

The Stock Exchange has an important role in the field of regulating trading on the capital market. Besides cooperation with competent bodies on preparations of generally binding legal regulations and formation of own regulatory framework, it continuously surveys, whether the market participants respect the Exchange Rules. In case of drawbacks it deduces its own measures.

The inspection activity was concentrated primarily on the enhancement of transparency of the capital market in 2006. The Exchange monitored in a consistent manner and investigated trades with suspicion of possible distortion of price, number and trade value of an investment instrument, or of information delay concerning concluded trades. Part of the inspection activity was analysing reasons for disturbing the market transparency. Fundamental measures in this field were accepted by the Exchange at the beginning of 2006 in connection with the change in the trading system in case of foreign parties and also in the case of trading for clients. The trade procedures were simplified and the number of transactions necessary for the realization of foreign subjects' instruction was reduced. During the first half of 2006 the Exchange cooperated with members on implementing this change in the system, which required not only changes of trade procedures, but also modifications of documentation and informing the foreign investors of the changes made.

The Exchange also paid attention to strengthening the professional care when providing investment services on the part of Exchange members. The attention concentrated particularly on communication, awareness and competency of investors using the Internet as a means of trading and on reducing risks of credit trading.

The basis for the Exchange control activity is parallel analytical monitoring based on daily monitoring and analysis of the stock exchange trading system data and on related communication with members concerning the indicated violation of Exchange Rules. The decisive role of monitoring was confirmed in September 2006 in the amendment of the Rules of Review Activities. The amendment terminated operative inspections. All operative inquiries are now realized within analytical monitoring. At the same time some of the formal procedures, on the side of the Exchange, as well as on the side of members, were simplified.

Within analytical monitoring more than 13 thousand transactions indicated as violating Exchange Rules were analysed, out of which every tenth was subjected to a detailed inquiry. Primarily cases of trades with indication of inadvisability for customer and cases under suspicion of having disturbed the transparency of the trade by an incorrect or unauthorized insertion of a trade into the exchange system were investigated.



► Exchange Activities in 2006

In accordance with the inspection schedule in 2006, 6 in-depth inspections and 7 repeated inspections with the goal of respecting the period of one in-depth control every 3 years for each member were started. The focus of in-depth inspections is aimed primarily at controlling those areas, which cannot be monitored to full extent through analytical monitoring (principles of treating a client, trading on credit, information obligation and documentation).

Detection of violating the Exchange Rules primarily concerned violating the transparency of markets, drawbacks in business documentation and violating rules of professional care when providing services to clients. By course of the Capital Market Undertaking Act, the Exchange informed the Czech National Bank about the suspicion of manipulation on the capital market (2 cases). Violating the Exchange Rules by an Exchange member was not proved in the cases mentioned.

The absolute majority of cases of violating the Exchange Rules were resolved in working order between the inspection and the member under the form of accepting the provisions on the side of the member. The Exchange continued with the practice of consulting the results of the control activity with the Exchange Committee on Membership, which reacted to more serious violations of practice by a letter of the Chairman of the Committee containing a notice about the shortcomings found and a request for adequate provisions. The type character of violation of Exchange Rules and the approach of individual members to eliminating the insufficiencies didn't require the sanction measures to be applied.

During the year 2006 no changes were observed in the field of membership matters. On the 31 December 2006 the Exchange contained 22 members, according to the law, 3 other subjects are authorised to conclude exchange trades (The Czech National Bank, the Czech Consolidation Agency and the Ministry of Finance of the Czech Republic).



► Exchange Activities in 2006

Results of Economic Activities

From the point of view of economic activities the previous year 2006 could be repeatedly described as the most successful one in the modern history of the Exchange. The continuous trend of trading activity growth played a key role in achieving the result of economic activities represented by the gain in the total amount of CZK 170 million before taxation. In 2006 it was higher by CZK 128 million than the expected budget and by CZK 28 million higher than in 2005. On the other side, even in the area of costs with cost discipline, the costs remained on the same level 2005. These numbers are the result of many Exchange activities, which thus creates conditions for keeping the pace not only of the results of the Exchange economic activities, but also of the entire capital market of the Czech Republic. Among these in 2006, one can successfully include the initiation of trading with derivatives and investment certificates, or the continuation of accepting more IPOs at the Exchange. According to its financial stability the Exchange is capable of realizing even more expensive projects, among which is the Energy Exchange project, initiated in January 2007.

► Exchange Activities in 2006

Selected Indicators

CZKm	2006	2005	2004	2003	2002
Revenues	445	553	267	359	199
Costs	275	411	225	312	320
Profit or loss before taxation	170	142	42	47	(121)
Profit or loss after taxation	133	110	30	38	(124)
Equity	457	445	337	348	339

In order to evaluate the development of the selected indicators objectively it is necessary to say that the economic results for 2002 and 2003 were significantly influenced by accounting transactions that were triggered by the sale of the Burzovní palác building. In 2002, an adjustment was created in the amount of CZK 172 million that negatively influenced the economic result of that year. In 2003, the sale of the building was completed for a price higher than the price in the expert opinion.

Since 2004, the overall amount of revenues and costs has also been influenced by the fact that part of the financial resources has been improved by the transactions of the administrator of the securities portfolio; furthermore, together with the growth in volume of realized transactions there is a growth in both costs and revenues related to their settlement. In both 2005 and 2006, the overall amount of revenues was also influenced by income from long term financial assets in the form of dividend payment.

The development of indicators adjusted by the above effects is shown in the table below.

CZKm	2006	2005	2004	2003	2002
Revenues	301	268	168	150	199
Expenditures	140	144	120	124	136
Profit or loss before taxation	161	124	48	26	63



► Exchange Activities in 2006

Financial results

Revenues from the Exchange activities and its own resources fully cover operations and investment requirement of the company.

The company's financial situation and prosperity are obvious from the development of indicators mentioned:

	2006	2005	2004	2003	2002
Return ratios					
Return on total assets	0.261	0.225	0.080	0.100	X
Return on equity	0.291	0.248	0.090	0.110	X
Return on registered capital	0.502	0.408	0.097	0.104	X
Return on liabilities	2.571	2.458	0.821	0.834	X
Financial stability indicators					
Financial independency	0.895	0.908	0.893	0.884	0.886
Long-term loans	0.897	0.910	0.896	0.920	0.886
Interest coverage	X	X	X	X	X
Insolvency	0	0	0	0	0
Total liquidity	7.96	8.72	7.20	16.22	8.32
Total dept	0.10	0.09	0.10	0.06	0.05
Increase or decrease of short-term financial assets	45,754	86,169	97,009	11,521	42,799



► Exchange Activities in 2006

Development of the structure of assets and financial resources (%)

	2006	2005	2004	2003	2002
Assets	100.00	100.00	100.00	100.00	100.00
Fixed assets	20.56	21.96	29.30	7.88	60.34
of this: tangible and intangible assets	2.44	3.01	4.57	6.14	60.31
financial investments	18.10	18.91	24.65	0.79	0.03
long-term receivables	0.02	0.04	0.08	0.95	0.00
Short-term receivables	5.93	11.55	7.25	56.45	5.82
Of this: trade receivables	4.93	4.90	4.84	54.51	5.82
other receivables	1.00	6.65	2.41	1.94	0.00
Financial assets	71.36	65.06	61.53	34.4	32.41
Temporary accounts	2.15	1.43	1.92	1.27	1.43
Liabilities	100.00	100.00	100.00	100.00	100.00
Long-term liabilities	89.73	91.00	89.33	88.37	88.62
of this: own resources	89.53	90.84	89.33	88.37	88.62
bank loans and assistance	0.00	0.00	0.00	0.00	0.00
long term liabilities	0.20	0.16	0.00	0.00	0.00
Short-term liabilities	9.71	8.79	9.57	5.66	4.60
Reserves	0.22	0.20	0.26	3.66	4.73
Temporary accounts	0.34	0.01	0.84	2.31	2.05

► Exchange Activities in 2006

Trend in economic results

The result of economic activities before taxation for 2006 is the gain in the amount of CZK 170,139 thousand. Compared to the gain of 2005, the result of economic activities is higher by CZK 128,286 thousand and was positively influenced primarily by higher receipts from trading, including the settlement and incomes from the share in the subsidiary company Univyc from the result of economic activities of 2005.

Tax liability in the amount of CZK 36,858 thousand arose from the results of the economical activities. The deferred income tax, calculated from all provisional differences between tax and book values in 2006, means that the deferred tax obligation increased by CZK 237 thousand. The economic activities' result for the fiscal period (after tax) represents the gain in the amount of CZK 133,044 thousand.

CZK '000	Projection		Actual balance			
	2006	2006	2005	2004	2003	2002
Profit or loss before taxation	41,853	170,139	141,688	42,260	47,302	(120,958)
– from operating activities	36,923	136,536	110,872	32,091	44,226	(123,605)
subtotal: effect of the PSE building sale	–	–	–	–	21,474	(184,067)
– from financial activities	4,930	33,603	30,816	10,169	3,076	1,156
subtotal: effect of securities sale from the portfolio	4,100	6,221	1,364	3,757	–	–
earnings from subsidiary sale	0	25,000	29,000	–	–	–
– from extraordinary activities	0	0	0	0	0	1,491
Income tax	12,142	37,095	31,586	11,791	9,095	2,607
– due	12,142	36,858	30,815	8,053	12,835	15,816
– deferred	0	237	771	3,738	(3,740)	(13,209)
Profit or loss after taxation	29,711	133,044	110,102	30,469	38,207	(123,565)



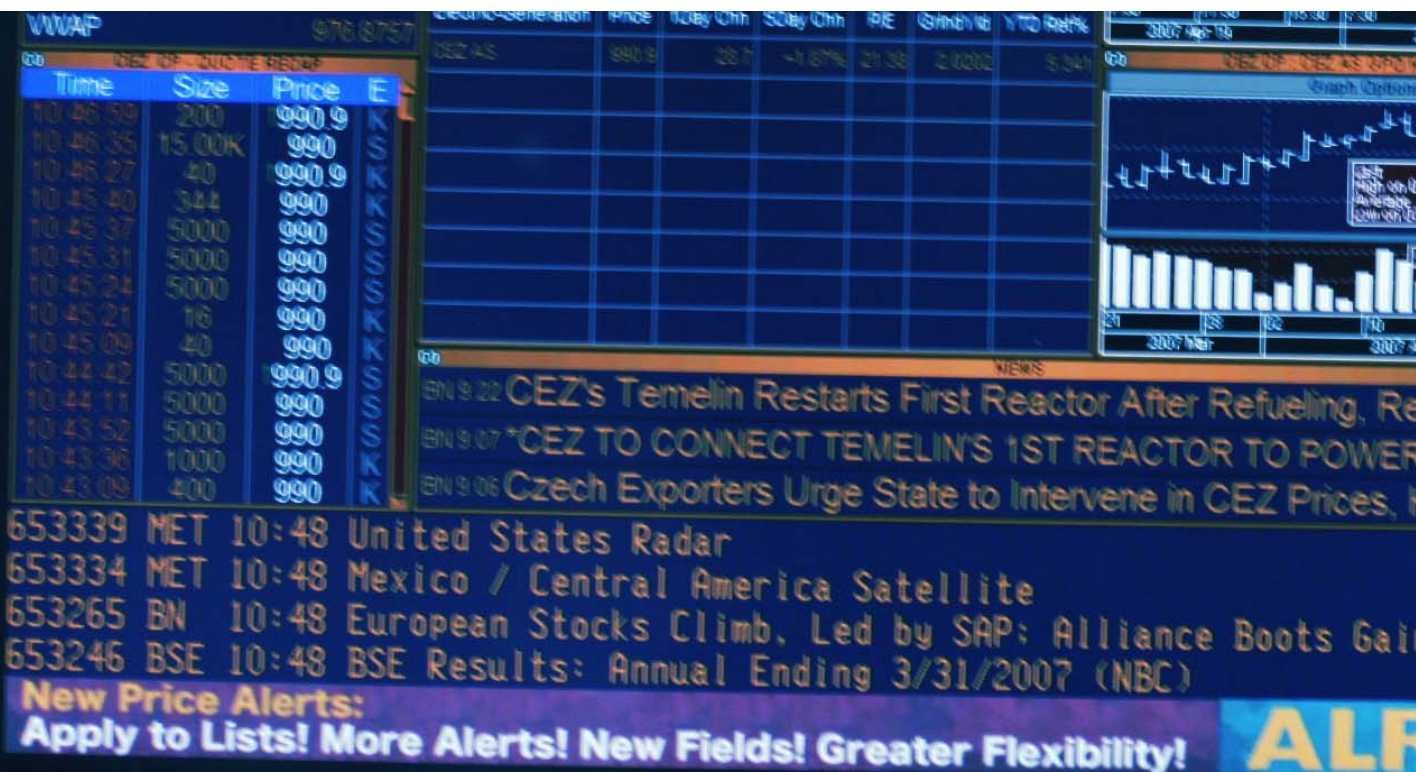
► Exchange Activities in 2006

Settlement of Exchange Trades

Settlement of trades with investment instruments registered at the Exchange is in competence of the UNIVYC Company (UNIVYC), a subsidiary company, which is the most eminent subject in the field of securities settlement in the Czech Republic. Beyond settlement UNIVYC primarily provides keeping individual records and other services and products designated for UNIVYC participants, issuers of securities and other participants on the capital market.

Settlement

UNIVYC ensures financial settlement in Czech crowns via payment orders sent to the Czech National Bank Clearing Centre (CC ČNB). In 2006 UNIVYC sent to the CZC ČNB about 359 thousand orders, which represents 21% growth compared to 2005, in the total value of CZK 4,600 billion, which represents 13% inter-annual growth. The value of settled UNIVYC securities exchange trades and OTC transfers for 2006 reached its record-breaking value of CZK 4,384.2 billion and represents 99.8% of all settled trades and transfers on the Czech capital market. Out of the total value of transactions settled by UNIVYC, 27.7% represent exchange trades and 72.3% OTC transactions.



► Exchange Activities in 2006

Other Services

One of most important complementary services of UNIVYC is administration of the Exchange Guarantee Fund (GFB), which serves to ensure obligations and cover risks ensuing from exchange trades and their settlement. The Guarantee Fund is represented by the Automatic Trades Fund, Fund for trades concluded in the SPAD segment and since 2006, in connection with the initiation of settlement of trades with futures contracts by the Fund for derivatives trades. The average value of financial means in GFB administration reached the amount of CZK 188 million in 2006.

Among the most often used services is settlement of primary bond issues. During 2006 UNIVYC intermediated settlements of 55 primary bond issues in the total amount of CZK 196 billion, which represents an inter-annual growth in number, as well as value. Primary issues and tranches of state bonds, which represented more than 80% of the value, dominated more than in previous years.

In 2006 the interest in securities borrowing on the side of UNIVYC participants grew. Originally two issues of shares that were registered in the system of lending and borrowing in the beginning of the year, grew to four issues on the 31 December 2006. Also the total number of borrowings grew inter-annually by 83% and the total number of borrowed securities even by 160%.



▶ Exchange Activities in 2006

Other services of UNIVYC include registration of shares issues for the purposes of settlement in UNIVYC and registration of new investment instruments. New issues of investment certificates were registered in the securities central database of the Exchange system for the purpose of settlement in UNIVYC in October and December 2006. In October 2006 also the settlement of futures contracts was initiated.

At the beginning of 2006, UNIVYC ensured the subscription of new shares of Erste Bank on the basis of the application of pre-emption rights of existing shareholders. Then it intermediated the payment of dividends together with possibility of settlement of tax refunding in the case of three foreign share titles ERSTE BANK, ORCO and ZENTIVA, and in cooperation with Clearstream it ensured attendance, or voting, as the case may be, at ordinary and extraordinary general meetings of companies, whose shares are kept on UNIVYC independent register. For safe custody of certificated securities, UNIVYC made use of the depository of Československá obchodní banka and ensured payment of yields to owners of certificated bonds of MERO ČR.



► Exchange Activities in 2006

Development Projects

One of the main projects of 2006 was, first of all, the preparation for settlement of futures contracts and other derivative products in relation to begin trading with these products at the Exchange. An important part of the project was the assurance of risk management within the settlement. Towards the end of 2006 and in the first half of 2007 UNIVYC worked together with the Exchange on preparation to launch the Energy Exchange.

During the first half of 2006 the project of the Securities Central Depository was completed. The last document missing for the acquisition of the license to operate the central depository from the Czech National Bank remains an updated business plan, of which the valuation of the Securities Centre records is a component. Further work on this project will continue depending on the agreement with the Ministry of Finance of the Czech Republic.

Bodies of UNIVYC

The Board of Directors of UNIVYC has three members and on the 31 December its structure was as follows:

Petr Kobic (Chairman of the Board of Directors)

Helena Čacká (Vice-chairman of the Board of Directors)

Jan Klenor (Member of the Board of Directors)

Structure of the Supervisory Board at 31 December 2006:

Martin Draslar (Chairman)

Radan Marek

Miroslav Prokeš



Exchange Bodies

Exchange Chamber

The Exchange Chamber is a statutory authority of the Exchange, which administrates its activities and acts on its behalf. The Exchange Chamber had 10 meetings during the year 2006.

Structure of the Exchange Chamber at 31 December 2006

Chairman

Petr Kobic, Prague Stock Exchange

Date of birth: 22 February 1971

Education: the University of Economics, Prague

Present function: General Director

Vice-Chairmen

Jan Klenor, Representative of the shareholder Patria Finance, a.s.

Date of birth: 9 February 1966

Education: the University of Economics, Prague

Present function: Chairman of the Board of Directors

Vice-chairman of the Exchange Chamber since 22 June 2005

Daniel Heler – Representative of the shareholder Česká spořitelna, a.s.

Date of birth: 12 December 1960

Education: the University of Economics, Prague

Present function: Member of the Board of Directors and the Deputy General Director

Vice-chairman of the Exchange Chamber since 21 February 2005



▶ Exchange Bodies

Members

Petr Milev – Representative of the shareholder PPF banka a.s.

Date of birth: 15 December 1968

Education: Charles University, Faculty of Mathematics and Physics

Present function: Chairman of the Board of Directors and General Director

Peter Palečka – Representative of the shareholder Komerční banka, a.s.

Date of birth: 3 November 1959

Education: the University of Economics, Bratislava

Present function: Member of the Board of Directors and Managing Director

Re-elected 9 June 2005

Jan Sýkora – Representative of the shareholder WOOD & Company Financial Services, a.s.

Date of birth: 18 January 1972

Education: University of Economics, Rochester Institute of Technology

Present function: Chairman of the Board of Directors



► Exchange Bodies

Supervisory Board

The Supervisory Board directs activities of the Exchange Chamber and the Exchange activities. Members of the Supervisory Board are elected for the period of five years.

Structure of the Supervisory Board at 31 December 2006

Zdeněk Bakala

Date of birth: 7 February 1961

Present function: Chairman of the Supervisory Board RPG Advisors, a.s. and Chairman of the Board of Directors OKD, a.s.

Jiří Michal

Date of birth: 23 December 1950

Present function: Chairman of the Board of Directors and General Director – Zentiva, a.s.

Jaroslav Míl

Date of birth: 10 August 1958

Present function: President – Svaz průmyslu a dopravy ČR (Industrial and Transport Union of the Czech Republic)

Martin Roman

Date of birth: 29 October 1969

Present function: Chairman of the Board of Directors and General Director – ČEZ, a.s.

Resigned from their posts:

Tomáš Kvapil

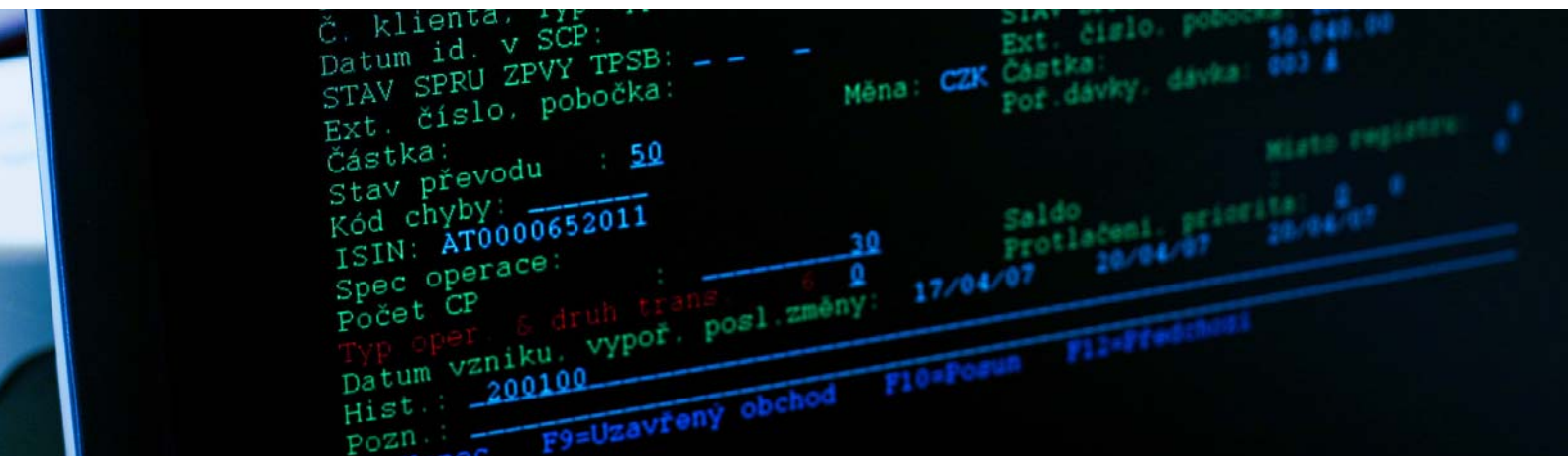
Date of birth: 8 April 1967

Present function: Division Director – Czech National Bank
resigned the 26 May 2006, resignation accepted the 26 May 2006

Tomáš Prouza

Date of birth: 30 April 1973

Present function: Director of the Client Care and Ombudsman of Poštovní spořitelna
resigned the 11 December 2006, resignation accepted the 28 May 2007



► Exchange Bodies

Exchange Membership Committee

Chairman

Peter Palečka – Komerční banka, a.s.

Vice-chairman

Gabriela Dudášová – ATLANTIK finanční trhy, a.s.

Secretary

Josef Marek – Prague Stock Exchange

The Exchange Membership Committee held meetings four times in 2006. It dealt with information about inspection results of Exchange members, discoveries of analytical monitoring, information about the state of quick available means, quarterly economic results and capital adequacy of member companies. To more serious violation of practice it reacted by a letter of the Chairman of Committee containing a notice about the shortcomings found and a request for adequate provisions.

With respect to the type of violation of the Exchange Rules and the approaches accepted by members to eliminate the deficiencies, the Committee did not use its sanction power in 2006.

The Committee discussed and recommended the Exchange Chamber for approval adjustments in Rules of Review Activities made for the purpose of simplification of procedures of the control activity, especially in case of operative inquiries on violating the Exchange Rules.

As for factual topics, it paid attention to problems of market transparency, way of trading for foreign subjects and the observance of the specifics of registration of trades at the Exchange and professional care given to clients when providing them investment services, for example trading procedures applied by members of individual types of trades.



▶ Exchange Bodies

Exchange Listing Committee

Chairman:

Petr Kobic – Prague Stock Exchange

Vice-chairman

Markéta Mühlhoferová – Česká spořitelna, a.s.

Secretary

Eva Štrupová – Prague Stock Exchange

The Exchange Listing Committee had four regular meetings, in twenty cases the decision was made by voting per rollam.

The Committee primarily dealt with debate and confirmation of requests for accepting securities for trading. 32 issues were accepted on the whole, mainly concerning mortgage debenture bonds.

At the beginning of the year, the issue of shares ERSTE BANK was accepted on the main market, the issued shares weren't connected with the right of dividend payment for 2005 and after the dividend payment this issue was consolidated with the existing issue ERSTE BANK.

During the year the Committee participated in the preparation of new Exchange Rules, Conditions for Acceptance and Trading with Investment Certificates and Warrants on the Official Free Exchange Market. The result of this process was the initiation of trading with these new products on the official Exchange market. The Exchange Rules on the main and secondary and official free market was also modified, which allowed issuers to fulfil the obligation of information only in English and represented another step towards European regulation.



► Exchange Bodies

In accordance with the Exchange Rules three bond programs were approved enabling the simplification of the process of accepting individual issues issued within the program.

The year 2006 was important for the Exchange especially because two primary issues of foreign shares were accepted on the main market.

Firstly, the Committee approved the issue of shares of the Luxemburg company ECM REAL ESTATE INVESTMENTS A.G., operating in real estate in the region of Central Europe. Together with these two shares, warrants of this company were accepted. Their acceptance represented the first trade with this instrument at the Prague Stock Exchange.

The next primary issue was shares of another Luxemburg company PEGAS NONWOVENS S.A. operating in the textile industry in our region as well. In this case it was a dual listing in Prague and in Warsaw. On both primary issues the regime of contingent trading was applied, which allows trading with shares before their issue. The condition for initiating contingent trading is the decision of the Committee on the acceptance of official trading and publication of the prospect of security.

Primary issue and initiation of trading with them attracted the attention of investors.

The Committee continued with a consistent control of fulfilment of information obligations of issuers accepted for exchange trading on the main and secondary market and monitored fulfilment of information obligation set by the Capital Market Undertaking Act even for companies traded on the free market.



► Exchange Bodies

Exchange Trades Committee

Chairman

Jan Sýkora – WOOD & Company Financial Services, a.s.

Vice-chairman and Secretary

Jiří Opletal – Prague Stock Exchange

In 2006 the Committee always negotiated according to current needs and in many cases made decisions by voting per rollam.

Trading in 2006 was enlivened by new products, and their projects were regular subjects of negotiations of the Committee. In connection with the initiation of trading with futures contracts the committee also dealt with changes of indices. PX 50 and PX-D were replaced by a single Index PX. The Committee approved the maximum admissible weight of individual issues of securities on the market capitalization base at the record date, namely in the amount of 25% for both Exchange Indices PX and PX GLOB. Then it set the period of one minute for the release of their values. Subsequently, on the date of 28 February 2006, departmental indices were annulled by the Committee.

Activities of the Committee concentrated especially on projects of futures contracts and investment certificates. The Committee approved, with respect to minimization of SW adjustments and costs on the part of Exchange members, that the SPAD system be used technically for trades with futures contracts. The Committee dealt with the preparation of regulations modifying trading and standardization of futures contracts at the Stock Exchange, and also with risk management in the field of settlement of futures contracts. It approved basic parameters of trading with listed series of futures contracts.



► Exchange Bodies

For investment certificates, the Committee set a way of trading in the system for trading with a single specialist. In cooperation with the Exchange Listing Committee it recommended an Exchange Rules for approval, which modifies conditions for acceptance and trading with investment certificates and warrants at the Exchange.

With regards to warrants, it set two ways of trading: under the form of automatic trading with the attendance of a specialist. It dealt with setting parameters for trading with a single specialist for individual issues of accepted investment certificates and warrants.

Besides the operative approval of changes in parameters for individual issues of securities for trading in SPAD, on 1 March 2006, the Committee, approved a new limit for excess deals in the amount of CZK 150 million. This day also set the term of 60 minutes for registration of instructions from the moment of closing a trade with shares in the period of time set for trading within the closed SPAD phase. During trading within the open SPAD phase it set the term of 5 minutes for the registration of instructions from the moment of closing a block trades with shares.

The Committee also dealt with changing the schedule of the session, within which the beginning of trading in the continuous regime, on the date of 20 March 2006, was set at 9.25, before the beginning of trading in the open SPAD phase. At the same time, on the same date, the operation of the PX Index calculation also began.



The Prague Stock Exchange Shareholders

The Prague Stock Exchange Shareholders as at 31. 12. 2006

Shareholders	No. of shares (pcs)	Percentage of the PSE registered capital (%)
1 ATLANTA SAFE, a.s. *)	3,000	1.126
2 ATLANTIK finanční trhy, a.s.	2,996	1.125
3 BAWAG Bank CZ a.s.	6,400	2.403
4 BH Securities a.s.	3,849	1.445
5 BODY INTERNATIONAL BROKERS a.s.	607	0.228
6 Brněnská obchodní, a.s. v likvidaci *)	100	0.038
7 CAPITAL PARTNERS a.s.	100	0.038
8 Citibank a.s. *)	1,000	0.375
9 CYRRUS, a.s.	1,000	0.375
10 Česká konsolidační agentura	4,500	1.690
11 Česká spořitelna, a.s.	38,908	14.610
12 Československá obchodní banka, a.s.	1,000	0.375
13 EASTBROKERS, akciová společnost v likvidaci*)	10	0.004
14 Fio, burzovní společnost, a.s.	100	0.038
15 GARFIELD a.s. *)	10	0.004
16 GE Money Bank, a.s. *)	17,388	6.529
17 GES INVEST, a.s. *)	1,000	0.375
18 Global Brokers, a.s.	1,500	0.563
19 HVB Bank Czech Republic a.s.	7,612	2.858
20 ICEBERG a.s. *)	40	0.015
21 ING Bank N.V.	3,000	1.126
22 Komerční banka, a.s.	30,529	11.463
23 Merx, a.s. *)	20	0.008
24 Moravia Banka, a.s. v likvidaci *)	500	0.188
25 OESTERREICHER & spol. s r.o. *)	1,000	0.375
26 Patria Finance, a.s.	65,901	24.745
27 PPF Banka a.s.	32,140	12.068
28 Stock Investment, a.s. *)	500	0.188
29 Všeobecná úverová banka, a.s. *)	22,154	8.319
30 WOOD & Company Financial Services, a.s.	3,997	1.501
31 Živnostenská banka, a.s.	14,355	5.390

*) The company is not a PSE member

The Prague Stock Exchange Members

The Prague Stock Exchange Members as at 31. 12. 2006

ABN AMRO Bank N.V.,
ATLANTIK finanční trhy, a.s.
BAWAG Bank CZ a.s.
BH Securities a.s.
BODY INTERNATIONAL BROKERS a.s.
CAPITAL PARTNERS a.s.
CYRRUS, a.s.
Česká spořitelna, a.s.
Českomoravská záruční a rozvojová banka, a.s.
Československá obchodní banka, a.s.
DEUTSCHE BANK Aktiengesellschaft Filiale Prag, organizační složka
Fio, burzovní společnost, a.s.
Global Brokers, a.s.
HVB Bank Czech Republic a.s.
ING Bank N.V.
J&T BANKA, a.s.
Komerční banka, a.s.
Patria Finance, a.s.
PPF banka a.s.
Raiffeisenbank a.s.
WOOD & Company Financial Services, a.s.
Živnostenská banka, a.s.



Supervisory Board Report

Opinion of the Supervisory Board Regarding the Documents Submitted for Approval to the Shareholders of the Prague Stock Exchange at the 15th Regular General Meeting Taking Place on 14 June, 2007

1. Opinion regarding the Report on the Prague Stock Exchange's Business Activities and the Status of its Assets

On its meeting held on 28 May, 2007 the Supervisory Board discussed the "Report on the Prague Stock Exchange's Business Activities and the Status of its Assets for 2006". The Supervisory Board has no comments on the submitted report and recommends the report to the General Meeting for approval.

2. Audit report on review of the annual regular and consolidated financial statements for 2006 and decision on profit distribution and dividend and capital funds payments.

In accordance with Article 35 of the Articles of Association of the Prague Stock Exchange, a.s. the Supervisory Board reviewed the regular audited financial statements for 2006 and reviewed the Auditor's Report.

The Supervisory Board reviewed and approves the following: (i) financial statements of Burza cenných papírů Praha, a.s. (Prague Stock Exchange), (ii) consolidated financial statements, and (iii) the submitted proposal for profit distribution.

The Supervisory Board recommends to the General Meeting of Shareholders to approve the regular and consolidated financial statements as well as the proposal by the Exchange Chamber for profit distribution for 2006.



► Supervisory Board Report

The Supervisory Board approves the proposal submitted by the Exchange Chamber to pay dividends to the shareholders amounting CZK 490 per share and recommends to the General Meeting to approve the payment of dividends in the aforementioned amount.

The Supervisory Board agrees with the proposal by the Exchange Chamber to pay capital funds in the amount of CZK 35,997,929 consisting of share premium and gifts accepted by the company.

Prague, 28 May, 2007

On behalf of the Supervisory Board: Zdeněk Bakala

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Tax Id. Nr.: CZ49620592

Independent 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: 47115629

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

Report on the Financial Statements

Based upon our audit, we issued the following audit report dated 20 April 2007 on the financial statements which are included in this annual report on pages 53 to 81:

"We have audited the accompanying financial statements of Burza cenných papírů Praha, a.s., which comprise the balance sheet as of 31 December 2006, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Statutory Body's Responsibility for the Financial Statements

The Statutory Body is responsible for the preparation and fair presentation of these financial statements in accordance with accounting regulations applicable in the Czech Republic. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Burza cenných papírů Praha, a.s. as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic."

Report on the Consolidated Financial Statements

Based upon our audit, we issued the following audit report dated 20 April 2007 on the consolidated financial statements which are included in this annual report on pages 82 to 103:

"We have audited the accompanying consolidated financial statements of Burza cenných papírů Praha, a.s. and its subsidiaries (the "Group") which comprise the balance sheet as of 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Statutory Body's Responsibility for the Financial Statements

The Statutory Body is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU."

Report on the Annual Report

We have also audited the annual report for consistency with the financial statements referred to above. This annual report is the responsibility of the Company's Statutory Body. Our responsibility is to express an opinion on the consistency of the annual report and the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the information included in the annual report describing matters that are also presented in the financial statements is, in all material respects, consistent with the relevant financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the information included in the annual report is consistent, in all material respects, with the financial statements referred to above.

In Prague on 28 May 2007

Audit firm:

Deloitte Audit s.r.o.

Certificate no. 79

Represented by:



Diana Rogerová, authorised employee

Statutory auditor:



Diana Rogerová, certificate no. 2045



Closing Information

Resolution of the 15th Ordinary General Meeting of Shareholders

On its 15th meeting taking place on 14 June, 2007 the regular General Meeting of Burza cenných papírů Praha, a.s. (Prague Stock Exchange) approved the following:

1. Report on the Prague Stock Exchange's business activities and the status of its assets for 2006 and also acknowledged the report prepared by the Supervisory Board including the Auditor's Report.
2. Ordinary Financial Statements for the year 2006 and decided on profit distribution. In 2006, the Prague Stock Exchange generated a business profit of CZK 170,138,800.77 before tax.

The following deductions were made to the profit generated

- income tax CZK 36,855,600.00
- additional tax returns CZK 2,600.00
- deferred tax CZK 237,000.00

After adjusting for the aforementioned deductions, the company reported a profit of CZK 133,043,600.77.

- mandatory contribution to the reserve fund (pursuant to S. 217 of the Commercial Code and the Stock Exchange Statutes) CZK 6,652,200.00

Retained profit of the accounting year CZK 126,391,400.77.



► Closing Information

3. The Consolidated Financial Statements for 2006. Net profit amounting to CZK 148,761,000 was generated.
4. Dividend payments for 2006 in the amount of CZK 490 per one share at the nominal value of CZK 1,000. Each shareholder registered in the List of Shareholders as at 14 June, 2007 shall be entitled to the payment of dividend. The dividend shall be payable by 14 September, 2007 to the shareholder's account or to the shareholder's address stated in the List of Shareholders, if no account details are provided.

The dividend payable for 4,500 pieces of treasury shares held by the company amounting to CZK 2,205,000 shall stay at the account used for the retained profit of loss from previous years.

5. The payout of CZK 35,997,929 from the company's funds, representing the share premium and other capital funds (donations). The payment will be distributed evenly per shares pertaining to the shareholders registered in the company's List of Shareholders as at 14 June, 2007. It will not be distributed per treasury shares held by the Prague Stock Exchange. The payment shall be payable by the end of 2007 to the shareholder's account or to the shareholder's address stated in the List of Shareholders, if no account details are provided.
6. The Business Principles of the Stock Exchange for 2007, the Principles of the Stock Exchange Management for 2007 and the Information on the Prague Energy Exchange project and on the acquisition Project involving Central European stock exchanges.
7. Amendments to the company's Statutes with effect from 14 June, 2007, which are to clarify the process of issuing collective shares, to specify the timetable of the trading day, to unify the status of Stock Exchange committees and to set conditions for transfer of Stock Exchange shares.



PRAGUE STOCK EXCHANGE
BURZA CENNÝCH PAPIŘŮ PRAHA

► Closing Information

8. The election of Petr Kobic as a member of the Exchange Chamber with effect from 25 June, 2007.
9. The election of Daniel Heler as a member of the Exchange Chamber with effect from 25 June, 2007.
10. The election of Milan Šimáček as a member of the Supervisory Board with effect from 14 June, 2007.
11. The Exchange Chamber authorisation to implement all related and necessary measures to conclude partnership agreements: (i) between the Stock Exchange and UNIVYC, a.s. and (ii) between the Stock Exchange and the other companies in which the Stock Exchange holds a direct or indirect majority stake.

Change in the registered capital of the Prague Stock Exchange

Effective from 23 May, 2007, the registered capital of the Prague Stock Exchange is CZK 265,216,000. This measure resulted in a successful completion of the process of reducing the registered capital approved at the 14th Ordinary General Meeting held in 2006.

Contact Information

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ID No.: 47115629

Tax ID No.: CZ47115629

Banking Information
Komerční banka, a.s., branch Praha
account No. 57008-011/0100

Entry in the Commercial Register
At the Prague Municipal Court, part B, file 1773



Financial Section

Balance Sheet

Full version as of 31 December 2006

CZK '000		2006		2005	
		Gross	Adjustment	Net	Net
	TOTAL ASSETS	614,760	104,179	510,581	489,673
B.	Fixed assets	204,920	100,049	104,871	107,314
I.	Intangible fixed assets	35,731	33,022	2,709	2,716
3.	Software	35,017	33,006	2,011	2,684
6.	Other intangible fixed assets	386	16	370	–
7.	Intangible fixed assets under construction	328	–	328	32
II.	Tangible fixed assets	76,089	66,327	9,762	11,998
3.	Individual movable assets and sets of movable assets	76,085	66,327	9,758	11,998
7.	Tangible fixed assets under construction	4	–	4	–
III.	Non-current financial assets	93,100	700	92,400	92,600
1.	Equity investments in subsidiaries	93,100	700	92,400	92,600
C.	Current assets	398,854	4,130	394,724	375,332
II.	Long-term receivables	103	–	103	220
5.	Long-term prepayments made	103	–	103	220
III.	Short-term receivables	34,409	4,130	30,279	56,524
1.	Trade receivables	29,318	4,130	25,188	23,943
2.	Receivables - controlling entity	–	–	–	29,000
7.	Short-term prepayments made	2,604	–	2,604	3,291
8.	Estimated receivables	2,347	–	2,347	261
9.	Other receivables	140	–	140	29
IV.	Current financial assets	364,342	–	364,342	318,588
1.	Cash on hand	35	–	35	10
2.	Cash at bank	2,266	–	2,266	1,620
3.	Short-term securities and investments	362,041	–	362,041	316,958
D. I.	Other assets	10,986	–	10,986	7,027
1.	Deferred expenses	10,944	–	10,944	5,508
3.	Accrued income	42	–	42	1,519
	Control number	2,448,053	416,717	2,031,337	1,951,665

► Balance Sheet

CZK '000	2006	2005
TOTAL LIABILITIES & EQUITY	510,581	489,673
A. Equity	457,107	444,831
I. Share capital	265,221	270,178
1. Share capital	265,216	266,316
2. Treasury shares and holdings (-)	(1,095)	(43,614)
3. Changes in share capital	1,100	47,476
II. Capital funds	35,998	35,998
1. Share premium	22,769	22,769
2. Other capital funds	13,229	13,229
III. Statutory funds	16,453	10,947
1. Statutory reserve fund/Indivisible fund	16,453	10,947
IV. Retained earnings	6,391	17,606
1. Accumulated profits brought forward	6,391	28,945
2. Accumulated losses brought forward	–	(11,339)
V. Profit or loss for the current period (+ -)	133,044	110,102
B. Liabilities	51,731	44,792
I. Reserves	1,103	981
4. Other reserves	1,103	981
II. Long-term liabilities	1,016	772
5. Long-term prepayments received	10	3
10. Deferred tax liability	1,006	769
III. Short-term liabilities	49,612	43,039
1. Trade payables	16,378	18,027
5. Payables to employees	3,979	–
6. Social security and health insurance payables	3,342	–
7. State – tax payables and subsidies	20,022	20,582
8. Short-term prepayments received	1,007	1,224
10. Estimated payables	3,126	3,206
11. Other payables	1,758	–
C. I. Other liabilities	1,743	50
1. Accrued expenses	1,743	–
2. Deferred income	–	50
Control number	1,907,537	1,848,540

Profit and Loss Account

Profit and Loss Account structured by the nature of expense method for the year ended 31 December 2006

CZK '000		2006	2005
II.	Production	327,389	277,650
1.	Sales of own products and services	327,389	277,650
B.	Purchased consumables and services	114,148	92,043
1.	Consumed material and energy	1,494	1,721
2.	Services	112,654	90,322
+	Added value	213,241	185,607
C.	Staff costs	66,920	62,664
1.	Payroll costs	43,788	41,233
2.	Remuneration to members of statutory bodies	4,410	4,167
3.	Social security and health insurance costs	15,270	14,208
4.	Social costs	3,452	3,056
D.	Taxes and charges	245	194
E.	Depreciation of intangible and tangible fixed assets	7,817	8,320
III.	Sales of fixed assets and material	7	1,233
1.	Sales of fixed assets	7	1,232
2.	Sales of material	–	1
F.	Net book value of fixed assets and material sold	–	2,965
1.	Net book value of sold fixed assets	–	2,965
G.	Change in reserves and provisions relating to operating activities and complex deferred expenses	(1,243)	(872)
IV.	Other operating income	43	61

► Profit and Loss Account

H.	Other operating expenses	3,016	2,758
*	Operating profit or loss	136,536	110,872
VI.	Proceeds from the sale of securities and investments	80,427	232,313
J.	Cost of securities and investments sold	79,556	234,712
VII.	Income from non-current financial assets	25,000	29,000
1.	Income from subsidiaries and associates	25,000	29,000
VIII.	Income from current financial assets	5,553	4,170
K.	Costs of financial assets	3,865	8,121
M.	Change in reserves and provisions relating to financial activities	200	500
X.	Interest income	6,800	8,921
XI.	Other financial income	15	12
O.	Other financial expenses	571	267
*	Financial profit or loss	33,603	30,816
Q.	Income tax on ordinary activities	37,095	31,586
1.	– due	36,858	30,815
2.	– deferred	237	771
**	Profit or loss from ordinary activities	133,044	110,102
***	Profit or loss for the current period (+ -)	133,044	110,102
****	Profit or loss before tax	170,139	141,688
	Control number	1,977,451	2,041,258

Cash Flow Statement

Cash Flow Statement Year ended 31 December 2006

CZK '000	2006	2005
P.		
Opening balance of cash and cash equivalents	1,630	3,387
Cash flows from ordinary activities		
Z.		
Profit or loss from ordinary activities before tax	170,139	141,688
A.1.		
Adjustments for non-cash transactions	(25,232)	(28,740)
A.1.1.		
Depreciation of fixed assets	7,817	8,320
A.1.2.		
Change in provisions and reserves	(1,243)	(872)
A.1.3.		
Profit/(loss) on the sale of fixed assets	(7)	1,733
A.1.4.		
Revenues from dividends and profit shares	(25,000)	(29,000)
A.1.5.		
Interest expense and interest income	(6,800)	(8,921)
A.*		
Net operating cash flow before changes in working capital	144,907	112,948
A.2.		
Change in working capital	(39,970)	(111,183)
A.2.1.		
Change in operating receivables and other assets	(6,450)	(6,570)
A.2.2.		
Change in operating payables and other liabilities	11,563	(16,687)
A.2.4.		
Change in current financial assets	(45,083)	(87,926)
A.**		
Net cash flow from operations before tax and extraordinary items	104,937	1,765
A.4.		
Interest received	8,018	10,181
A.5.		
Income tax paid from ordinary operations	(40,157)	(3,998)
A.7.		
Received dividends and profit shares	54,000	–
A.***		
Net operating cash flows	126,798	7,948
Cash flows from investing activities		
B.1.		
Fixed assets expenditures	(5,375)	(8,235)
B.2.		
Proceeds from fixed assets sold	7	1,232
B.***		
Net investment cash flows	(5,368)	(7,003)
Cash flow from financial activities		
C.1.		
Change in payables from financing	9	–
C.2.		
Impact of changes in equity	(120,768)	(2,702)
C.2.1.		
Cash increase in share capital	(95)	(2,702)
C.2.6.		
Dividends paid	(120,673)	–
C.***		
Net financial cash flows	(120,759)	(2,702)
F.		
Net increase or decrease in cash and cash equivalents	671	(1,757)
R.		
Closing balance of cash and cash equivalents	2,301	1,630

Statement of Changes in Equity

Statement of Changes in Equity Year ended 31 December 2006

CZK '000	Share capital	Treasury shares and holdings (-)	Changes in 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 2004	313,792	(73,473)	51,949	35,998	9,423	-	(30,727)	30,469	337,431
Distribution of profit or loss	-	-	-	-	1,524	28,945	-	(30,469)	-
Registered decrease in share capital	-	32,561	(51,949)	-	-	-	19,388	-	-
Proposed share capital decrease	(47,476)	-	47,476	-	-	-	-	-	-
Acquisition of treasury shares	-	(2,702)	-	-	-	-	-	-	(2,702)
Profit or loss for the current period	-	-	-	-	-	-	-	110,102	110,102
Balance at 31 December 2005	266,316	(43,614)	47,476	35,998	10,947	28,945	(11,339)	110,102	444,831
Distribution of profit or loss	-	-	-	-	5,506	98,119	6,477	(110,102)	-
Payments of dividends	-	-	-	-	-	(120,673)	-	-	(120,673)
Registered decrease in share capital	-	42,614	(47,476)	-	-	-	4,862	-	-
Proposed share capital decrease	(1,100)	-	1,100	-	-	-	-	-	-
Acquisition of treasury shares	-	(95)	-	-	-	-	-	-	(95)
Profit or loss for the current period	-	-	-	-	-	-	-	133,044	133,044
Balance at 31 December 2006	265,216	(1,095)	1,100	35,998	16,453	6,391	-	133,044	457,107

Notes to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

Name of the Company: Burza cenných papírů Praha, a.s.
Registered Office: Prague 1, Rybná 14/682
Legal Status: Joint Stock Company
Corporate ID: 47115629

1. GENERAL INFORMATION

1.1. Incorporation and Description of the Business

Burza cenných papírů Praha, a.s. (hereinafter the "Company") 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 operation 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 values of which are 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 values of which are 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 values of which are 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 values of which are 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 2006 of CZK 266,316,000 is split into 266,316 shares of registered stock with a nominal value of CZK 1,000. Only Patria Finance, a.s. has an equity interest greater than 20 percent (24.71 percent).

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

At the General Meeting held on 14 June 2006, shareholders resolved to decrease the issued share capital by CZK 1,100,000 to CZK 265,216 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". The share capital decrease petition was registered at the Register of Companies on 24 August 2006.

On 29 March 2006, the decrease of the share capital of CZK 47,476 thousand was entered in the Register of Companies held by the Municipal Court in Prague. This decrease was approved at the General Meeting held on 9 June 2005.

1.3. Organisational Structure of the Company

The following units report directly to the CEO:

- Legal Services;
- Internal Audit and Security Department;
- External Communication Department;
- Secretariat of the CEO, Filing Room and Human Resources Management;
- Trading and Securities Department;
- Information Technology Department;
- Inspection Department; and
- Economic and Administration Department.

1.4. Group Identification

As of 31 December 2006, the Prague Stock Exchange had two subsidiary companies.

UNIVYC was incorporated by a Notarial Deed 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. As of 31 December 2006, UNIVYC's share capital of CZK 100,000 thousand consists of 100,000 registered shares with a value of CZK 1,000.

In 2001, the Company and UNIVYC, a.s. entered into a controlling agreement which was revoked at the end of the 2004 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 its 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. Stock Exchange Chamber and Supervisory Board as of 31 December 2006

	Position	Name
Stock Exchange Chamber	Chairman	Petr Koblíček
	Vice Chairmen	Daniel Heler
		Jan Klenor
	Members	Jan Sýkora
		Peter Palečka
Petr Milev		
Supervisory Board	Member	Jaroslav Míl
		Tomáš Prouza
		Zdeněk Bakala
		Jiří Michal
		Martin Roman

In the year ended 31 December 2006, the following changes were made to the composition of the Stock Exchange Chamber and the Supervisory Board:

Supervisory Board:

Position	Original member	New member	Date of change
Member	Tomáš Kvapil		29 May 2006

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; and Czech Accounting Standards for Businesses, as amended.

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 date when a delivery is performed, a payable settled, a receivable collected, assigned or contributed, an advance payment made or received, debt assumed, a shortfall, deficit, surplus or damage determined, an asset transferred within the reporting entity or when other events occur arising from generally binding legal regulations or 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 Section 217 of the Commercial Code.

The financial statements were prepared as of the balance sheet date of 31 December 2006.

All figures are presented in thousands of Czech crowns ("CZK '000"), 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.

Tangible fixed assets is recognised at cost decreased by the accumulated depreciation representing the rate of tear and wear of these assets.

The Company uses assets acquired under operating leases.

The cost of fixed asset improvements exceeding CZK 40,000 for the period increases the acquisition cost of the related tangible 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
Computer systems	3 – 4
Vehicles	4
Furniture and fixtures	5 – 12
Other	4 – 10

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

Provisions were made against impaired or unused tangible fixed assets based on the results of the inventory taking, to the extent that the carrying value temporarily does not match the actual balance.

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.

Intangible fixed assets are recognised at cost decreased by accumulated amortisation representing the rate of tear and wear of these assets.

The cost of fixed asset improvements exceeding CZK 40,000 for the taxation period increases the acquisition cost of the related intangible 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	3

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

Provisions were made against impaired or unused intangible fixed assets based on the results of the inventory taking, to the extent that the carrying value temporarily does not match the actual balance.

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.

Investments in enterprises in which the Company has the power to govern the financial and operating policies so as to obtain benefits from their operations are treated as "Equity investment in subsidiaries".

Investments in enterprises in which the Company is in a position to exercise significant influence over their financial and operating policies so as to obtain benefits from their operations are treated as "Equity investments in associates".

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

Provisioning

The Company provides for equity investments in subsidiaries and equity investments in associates up to the amount of the difference between the carrying value and the value of the share of the entity's equity.

3.4. Current Financial Assets

Petty cash and bank accounts are stated at nominal value.

Other 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 held to maturity. 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. Current financial assets held to maturity include securities with fixed or determinable payments and fixed maturity which the Company intends and is able to hold to maturity.

These financial assets are marked-to-market at the end of each month and at the balance sheet date. Financial assets held to maturity is valued at amortised cost using the effective interest rate method.

3.5. 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 against receivables based upon an assessment of the recoverability of individual debts.

3.6. Trade Payables

Upon origination trade payables are stated at their nominal value.

3.7. 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.

3.8. 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 as the current year's financial expenses or revenues as appropriate.

3.9. Taxation

3.9.1. 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.

3.9.2. Depreciation of Fixed Assets for Tax Purposes

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

3.9.3. 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.

3.10. 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.

3.11. 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 these shares within a three-year period from the acquisition, 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.

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

3.12. Revenue Recognition

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

3.13. 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.

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

In the year ended 31 December 2006, there were no significant year-on-year changes in accounting, valuation and depreciation policies.

3.15. 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 2006	31 Dec 2005
Cash on hand and cash in transit	35	10
Cash at bank	2,266	1,620
Total cash and cash equivalents	2,301	1,630

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 2004	Additions	Disposals	Balance at 31 Dec 2005	Additions	Disposals	Balance at 31 Dec 2006
Software	82,179	1,201	11,374	72,006	1,064	38,053	35,017
– software costing more than CZK 60 thousand	78,320	1,201	11,223	68,298	941	37,030	32,209
– software costing less than CZK 60 thousand	3,859	0	151	3,708	123	1,023	2,808
Other intangible fixed assets	160	0	0	160	386	160	386
Intangible fixed assets under construction	0	32	0	32	328	32	328
Total	82,339	1,233	11,374	72,198	1,778	38,245	35,731

Accumulated Amortisation

CZK '000	Balance	Additions	Disposals	Balance	Additions	Disposals	Balance
	at 31 Dec 2004			at 31 Dec 2005			at 31 Dec 2006
Software	79,248	1,448	11,374	69,322	1,737	38,053	33,006
– software costing more than CZK 60 thousand	75,564	1,375	11,223	65,716	1,629	37,030	30,315
– software costing less than CZK 60 thousand	3,684	73	151	3,606	108	1,023	2,691
Other intangible fixed assets	160	0	0	160	16	160	16
Total	79,408	1,448	11,374	69,482	1,753	38,213	33,022

Net Book Value

CZK '000	Balance	Balance	Balance
	at 31 Dec 2004	at 31 Dec 2005	at 31 Dec 2006
Software	2,931	2,684	2,011
– software costing more than CZK 60 thousand	2,756	2,582	1,894
– software costing less than CZK 60 thousand	175	102	117
Other tangible FA	0	0	370
Intangible fixed assets under construction	0	32	328
Total	2,931	2,716	2,709

Additions to Intangible Fixed Assets

In 2006, additions to intangible fixed assets of CZK 1,778 thousand predominantly consisted of software supplies (in the amount of CZK 778 thousand) for the innovation of websites, SW AuditPro and SW eLearning. In addition, in 2006, software in the records of assets was unified pursuant to the records of individual licences and thus the type of the assets changed (CZK 268 thousand).

In the year ended 31 December 2006, other intangible fixed assets increased by CZK 386 thousand, as the Company's new logo was registered in the list of trademarks.

Intangible fixed assets under construction include the expenses related to the preparation of the script for the documentary film on the stock exchange. The film will be finalised in 2007.

In the year ended 31 December 2005, additions to intangible fixed assets of CZK 1,233 thousand predominantly included Spam Sentinel, Interscan Virus Wall, upgrade of Tango v. AS 400, OS 400 iSeres software and extension of the Legato Network backup software.

Disposals of Intangible Fixed Assets

Disposals of intangible assets in the year ended 31 December 2006 in the amount of CZK 38,245 thousand predominantly included a disposal of SW Prom Partners – derivatives (CZK 34,850 thousand) due to its redundancy.

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

CZK '000	Amortisation
2005	1,448
2006	1,467

In 2006, no provisions against intangible fixed assets were charged based on the stock count exercise.

4.1.2. Tangible Fixed Assets

Cost

CZK '000	Balance	Additions	Disposals	Balance	Additions	Disposals	Balance
	at 31 Dec 2004			at 31 Dec 2005			at 31 Dec 2006
Individual movable assets	80,071	7,503	14,740	72,834	4,110	859	76,085
– Machinery and equipment	55,870	7,023	10,551	52,342	3,496	147	55,691
– Vehicles	2,874	0	2,099	775	0	0	775
– Furniture and fixtures	7,585	203	1,425	6,363	64	0	6,427
– Low value tangible FA	13,742	277	665	13,354	550	712	13,192
Tangible FA under construction	0	0	0	0	4	0	4
Total	80,071	7,503	14,740	72,834	4,114	859	76,089

Accumulated Depreciation and Provisions

CZK '000	Balance	Additions	Disposals	Balance	Additions	Disposals	Balance
	at 31 Dec 2004			at 31 Dec 2005			at 31 Dec 2006
Individual movable assets	65,738	9,837	14,739	60,836	6,350	859	66,327
– Machinery and equipment	42,521	9,247	10,551	41,217	5,813	147	46,883
– Vehicles	2,772	102	2,099	775	0	0	775
– Furniture and fixtures	7,347	56	1,425	5,978	101	0	6,079
– Low value tangible FA	13,098	432	664	12,866	436	712	12,590
Total	65,738	9,837	14,739	60,836	6,350	859	66,327

Net Book Value

CZK '000	Balance	Balance	Balance
	at 31 Dec 2004	at 31 Dec 2005	at 31 Dec 2006
Individual movable assets	14,333	11,998	9,758
– Machinery and equipment	13,349	11,125	8,808
– Vehicles	102	0	0
– Furniture and fixtures	238	385	348
– Low value tangible FA	644	488	602
Tangible FA under construction	0	0	4
Total	14,333	11,998	9,762

Additions to Tangible Fixed Assets

In 2006, additions to tangible fixed assets of CZK 4,114 thousand predominantly included supplies for the extension of a disk sub-system of servers and furniture and fixtures (CZK 2,804 thousand).

In 2005, additions to tangible fixed assets of CZK 7,503 thousand consisted of supplies of improvements to AS 400 computers in the aggregate amount of CZK 5,715 thousand.

Disposals of Tangible Fixed Assets

In the year ended 31 December 2006, there were no significant disposals of assets.

In the year ended 31 December 2005, disposals of tangible fixed assets of CZK 14,740 thousand represented predominantly an AS 400 computer and its accessories due to their sale and disposal of cars and furniture and fixtures.

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

CZK '000	Depreciation
2005	6,872
2006	6,350

In 2006, no provisions against tangible fixed assets were charged based on the stock count.

The carrying value of tangible fixed assets disposed of by sale was as follows:

CZK '000	Carrying value
2005	2,965
2006	0

None of the assets is pledged as collateral.

4.2. Leased Assets

As of 31 December 2006, the Company has five cars under operating leases. The aggregate amount of payments made in 2006 was CZK 1,503 thousand.

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 (refer to Note 1.4.).

Cost

CZK '000	Balance at 31 Dec 2004	Additions in 2005	Disposals in 2005, including provision	Balance at 31 Dec 2005	Additions in 2006	Disposals in 2006, including provision	Provision at 31 Dec 2006	Balance at 31 Dec 2006
UNIVYC, a.s.	90,100	0	0	90,100	0	0	0	90,100
Centrální depozitář, a.s.	3,000	0	500	2,500	0	200	700	2,300
Total	93,100	0	500	92,600	0	200	700	92,400

As of 31 December 2006, UNIVYC, a.s. reports equity of CZK 143,952 thousand. In the reporting period from 1 January 2006 to 31 December 2006, it generated a net profit of CZK 38,567 thousand.

As of 31 December 2006, Centrální depozitář, a.s. reports equity of CZK 2,297 thousand. For the reporting period from 1 January 2006 to 31 December 2006, it incurred a loss of CZK 205 thousand.

In 2005, based upon the count process, the Company recognised a provision against its equity investment in Centrální depozitář, a.s. on the basis set out in Note 3.3. In 2006, the balance of the provision was assessed during the inventory count and, pursuant to the above methodology, the provision was increased by CZK 200 thousand. As of 31 December 2006, the provision amounted to CZK 700 thousand.

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

4.4. Current Financial Assets

CZK '000	31 Dec 2006	31 Dec 2005
Cash on hand	35	10
Current accounts	2,266	1,620
Short-term securities	362,041	316,958
Total current financial assets	364,342	318,588

In 2006, the amount of financial assets was impacted by the level of income generated from trading where the payment discipline was good.

In compliance with the Portfolio Management Contract, the Company holds bonds of local and foreign counterparties as of 31 December 2006.

4.5. Long-Term Receivables

As of 31 December 2006, long-term receivables amount to CZK 103 thousand (2005: CZK 220 thousand) and they include permanent prepayments according to contracts that will be settled at the expiration of the contractual arrangement.

4.6. Short-Term Receivables

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

CZK '000	Balance at 31 Dec 2006	Balance at 31 Dec 2005
Trade receivables	25,188	23,943
Customers	25,188	23,935
Expenses to be distributed	0	8
Receivables from controlled entities (dividends)	0	29,000
Operating prepayments made	2,604	3,291
Tax receivables	0	0
Estimated receivables	2,347	261
Other receivables + social security	140	29
Total short-term receivables, net	30,279	56,524

The year-on-year increase in receivables from customers was impacted by a greater amount of trading fees in December.

4.6.1. Aging of Trade Receivables

CZK '000	Before due date	0 – 60 days	61 – 180 days	Past due date 181 – 360 days	1 – 2 years	2 and more years	Total past due date	Total
2006								
Short-term	25,188	0	6	0	94	4,030	4,130	29,318
Provisions	0	0	6	0	94	4,030	4,130	4,130
Net	25,188	0	0	0	0	0	0	25,188
2005								
Short-term	23,943	0	0	94	0	5,401	5,495	29,438
Provisions	0	0	0	94	0	5,401	5,495	5,495
Net	23,943	0	0	0	0	0	0	23,943

4.6.2. Net Intercompany Receivables

CZK '000	Balance at 31 Dec 2006	Balance at 31 Dec 2005
Short-term receivables		
UNIVYC	7,886	39,970
– trade receivables	7,886	10,970
– dividend payment	0	29,000
Centrální depozitář	7	7
Total short-term receivables	7,893	39,977

Intercompany receivables are before their due dates.

4.6.3. Estimated Receivables

CZK '000	Balance at 31 Dec 2006	Balance at 31 Dec 2005
Estimated receivables	2,347	261
– Unbilled rental services	345	261
– Unbilled stock exchange information for Q4	2,002	0

The increase in unbilled rental services relates to the expansion of leased premises. In the year ended 31 December 2006, the Company received documentation in support of for the determination of the fees for the information provided by Reuters after the balance sheet date. In the year ended 31 December 2005, this item was reported as part of accrued income.

4.7. Deferred Expenses and Accrued Income

CZK '000	Balance at 31 Dec 2006	Balance at 31 Dec 2005
Deferred expenses	10,944	5,508
Rental of non-residential premises	2,342	2,464
Insurance	7,536	334
Fees – Federation of European Securities Exchanges	0	998
Other	1,066	1,712
Accrued income	42	1,519
Stock exchange information	0	1,390
Interest	42	18
Interest income on government bonds	0	111
Total accruals and deferrals	10,986	7,027

4.8. Equity

4.8.1. Share Capital

Changes in Share Capital

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

In 2006, the Company purchased treasury shares at an acquisition cost of CZK 95,000 which have a nominal value of CZK 100 thousand.

Treasury Shares

Set out below is the development and structure of the Company's shares as purchased and sold by the Company's shareholders during 2006.

CZK '000	Nominal value of shares	Purchase cost of shares	Shares purchased from	Shares withdrawn from circulation by the Company
Balance at 31 Dec 2005	48,476	43,614		
March	(50)	(45)		KOMERIO, brokerský dům Konečný, a.s. in liquidation
	(1,000)	(750)		Komero, s.r.o.
	(15,000)	(11,250)		Union banka, a.s. in liquidation
	(28,000)	(28,000)		BODY INTERNATIONAL BROKERS, a.s.
	(1,156)	(867)		EASTBROKERS, a.s. in liquidation
	(1,000)	(750)		ImAge GROUP, a.s.
	(100)	(75)		BBG Finance
	(1,000)	(750)		PROCON INTERNATIONAL, s.r.o.
	(50)	(37)		DPFR, a.s.
	(120)	(90)		C.S. Brokers burzovní, a.s.
April	100	95	DISISOFT, a.s.	
Balance at 31 Dec 2006	1,100	1,095		

4.8.2. Profit for the Year Ended 31 December 2006

The Company generated a net profit of CZK 133,044 thousand for the year ended 31 December 2006.

The net profit was arrived at as follows:

CZK '000	2006
Profit before tax	170,139
Due tax	(36,858)
of which: current period	(36,855)
additional tax returns	(3)
Deferred tax	(237)
Net profit	133,044

At the balance sheet date, no decision has yet been made regarding the allocation of the profit generated in 2006.

4.8.3. Statutory Reserve Fund

CZK '000	Reserve fund
31 Dec 2004	9,423
Creation	1,524
Use	0
31 Dec 2005	10,947
Creation	5,506
Use	0
31 Dec 2006	16,453

In 2006, the statutory reserve fund was increased by an allocation from the profit for the year ended 31 December 2005. In the year ended 31 December 2006, the Company paid dividends of CZK 120,673 thousand.

4.9. Reserves and Provisions

4.9.1. Reserves

CZK '000	Other reserves
Balance at 31 Dec 2004	981
Creation of reserves	0
Release of reserves	0
Balance at 31 Dec 2005	981
Creation of reserves	122
Release of reserves	0
Balance at 31 Dec 2006	1,103

As of 31 December 2005, other reserves were created for the costs arising from the verdict of the Municipal Court for Prague, as the appeal court, of 28 January 2005. The Court decided that the termination of employment delivered to a former employee on 26 July 2002 was invalid. The reserve was created in the amount of CZK 981 thousand that equals the lost earnings and statutory insurance. In 2006, the legal dispute referred to above was not finalised.

In the year ended 31 December 2006, the reserve was increased by the reserve for social security in line with the contracts entered into by the Company for capital life insurance for selected employees. The reserve will be drawn at the completion or termination of individual contracts.

4.9.2. Provisions

CZK '000	Provisions for trade receivables	Provisions for other receivables	Total provisions for receivables
Balance at 31 Dec 2004	6,357	10	6,367
Creation	94	0	94
Release	956	10	966
Balance at 31 Dec 2005	5,495	0	5,495
Creation	6	0	6
Release	1,371	0	1,371
Balance at 31 Dec 2006	4,130	0	4,130

4.10. Payables

4.10.1. Long-Term Payables

As of 31 December 2006, long-term payables amount to CZK 1,016 thousand and include a deferred tax liability (refer to Note 4.12.) of CZK 1,006 thousand and a received prepayment (deposit) of CZK 10,000 according to the Office Rental Contract.

4.11. Short-Term Payables

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

CZK '000	Balance at 31 Dec 2006	Balance at 31 Dec 2005
Trade payables	16,378	18,027
Suppliers – Czech Republic	16,378	17,026
Suppliers – cross-border	0	1,001
Other payables	0	0
Prepayments received	1,007	1,224
Estimated payables	3,126	3,206
Tax liabilities	20,022	20,582
Payables to staff	3,979	0
Social security and health insurance payables	3,342	0
Other payables	1,758	0
Total short-term payables	49,612	43,039

The increase in payables to staff and social security and health insurance payables as of 31 December 2005 is due to the payment of salaries for December 2005 in December and for December 2006 in January 2007. The increase in other payables that include bonuses for the members of statutory bodies for December was impacted by the fact that they were paid in January.

4.11.1. Aging of Short-Term Trade Payables

CZK '000	Before due date	Past due date					Total past due date	Total
		0 – 90 days	91 – 180 days	181 – 360 days	1 – 2 years	2 and more years		
2005								
Short-term	18,027	0	0	0	0	0	0	18,027
2006								
Short-term	16,378	0	0	0	0	0	0	16,378

4.11.2. Intercompany Payables

CZK '000	Balance at 31 Dec 2006	Balance at 31 Dec 2005
UNIVYC	9,324	10,913
– trade payables	8,960	10,584
– received unbilled prepayments	364	329
Centrální depozitář	23	23
– trade payables	0	0
– received unbilled prepayments	23	23
Total short-term intercompany payables	9,347	10,936

The Company maintains no collateralised payables or payables otherwise secured.

4.12. Deferred Tax and Current Tax Payable

The deferred tax asset/(liability) is analysed as follows:

Deferred Tax Arising from

CZK '000	Balance at 31 Dec 2006	Balance at 31 Dec 2005
Accumulated depreciation and amortisation of fixed assets	(1,378)	(1,004)
Reserves	264	235
Social security and health insurance	108	0
Deferred tax asset/liability	(1,006)	(769)
Impact on profit or loss	237	771

4.13. 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	Balance at 31 Dec 2006	Balance at 31 Dec 2005
Profit before tax	170,139	141,688
Tax at the domestic income tax rate of 24 percent (26 percent)	40,833	36,839
Tax effect of expenses that are not deductible in determining taxable profit	2,368	2,438
Tax impact of income exempt from tax	(6,000)	(7,540)
Tax impact of income that is not subject to taxation	0	0
Tax effect of deductible items	(342)	(850)
Tax effect of gifts	(4)	0
Recognition of deferred tax	237	771
Additional taxes of prior years	3	(72)
Total income tax on ordinary and extraordinary activities	37,095	31,586

4.14. Details of Income by Principal Activity

CZK '000	Year ended 31 Dec 2006			Year ended 31 Dec 2005		
	In-country	Cross- border	Total	In-country	Cross- border	Total
Stock exchange fees	230,101	2,755	232,856	201,110	300	201,410
Annual trading fees	14,850	0	14,850	16,170	0	16,170
Listing fees	9,095	2,755	11,850	11,755	300	12,055
Trading fees	206,156	0	206,156	173,185	0	173,185
Services relating to settlement	71,137	0	71,137	56,529	0	56,529
Other services	9,520	13,876	23,396	9,246	10,465	19,711
Total income from the sale of services	310,758	16,631	327,389	266,885	10,765	277,650

4.15. Related Party Transactions

4.15.1. Income Generated with Related Parties

CZK '000

2006

Entity	Relation to the Company	Services	Other income	Sale of assets	Total
UNIVYC	Subsidiary	71,137	2,279	6	73,422
Centrální depozitář	Subsidiary	0	105	0	105
Total		71,137	2,384	6	73,527

2005

Entity	Relation to the Company	Services	Other income	Sale of assets	Total
UNIVYC	Subsidiary	57,133	1,504	34	58,671
Centrální depozitář	Subsidiary	0	107	0	107
Total		57,133	1,611	34	58,778

The Company provides its subsidiary company, UNIVYC, a.s., with services relating to settlement of securities transactions. Other income includes the lease of non-residential premises including services related to the lease and services related to communication.

4.15.2. Purchases from Related Parties

CZK '000

2006

Entity	Relation to the Company	Services	Total
UNIVYC	Subsidiary	72,483	72,483
Centrální depozitář	Subsidiary	0	0
Total		72,483	72,483

2005

Entity	Relation to the Company	Services	Total
UNIVYC	Subsidiary	50,220	50,220
Centrální depozitář	Subsidiary	0	0
Total		50,220	50,220

The Company purchases services relating to the settlement of stock exchange security transactions from its subsidiary, UNIVYC, a.s.

4.16. Services

CZK '000	Year ended 31 Dec 2006	Year ended 31 Dec 2005
Repairs and maintenance	6,379	7,585
Travel expenses	814	670
Representation costs	329	347
Telephone, fax	1,052	1,017
Low value intangible assets brought into use	108	83
Rental	13,052	13,471
Operating leases	1,503	1,217
Costs relating to settlement	72,483	50,220
Advisory services, audit	5,373	2,882
Promotion	3,797	4,938
Other services	7,764	7,892
Total	112,654	90,322

4.17. Other Operating Income

CZK '000	Year ended 31 Dec 2006	Year ended 31 Dec 2005
Contractual penalties and default interest	43	16
Sundry operating income	0	45
Total other operating income	43	61

4.18. Other Operating Expenses

CZK '000	Year ended 31 Dec 2006	Year ended 31 Dec 2005
Gifts	22	56
Contractual penalties and default interest	0	0
Other penalties and fines	0	5
Write-offs of receivables and transferred receivables	1,253	968
Insurance premiums	1,730	1,717
Sundry operating expenses	11	12
Total other operating expenses	3,016	2,758

4.19. Proceeds from the Sale of Securities and Investments

CZK '000	Year ended 31 Dec 2006 Selling price	Year ended 31 Dec 2005 Selling price
Non-current financial assets		
Czech bonds	53,127	138,405
Foreign bonds	27,300	93,908
Total proceeds from the sale of securities	80,427	232,313

4.20. Income from Non-Current Financial Assets

CZK '000	Year ended 31 Dec 2006	Year ended 31 Dec 2005
Interest received from subsidiaries (dividends)	25,000	29,000
Total income from non-current financial assets	25,000	29,000

4.21. Income from Current Financial Assets

CZK '000	Year ended 31 Dec 2006	Year ended 31 Dec 2005
Received interest from depository bills of exchange	2,613	102
Income from financial assets (revaluation of portfolio)	2,940	4,068
Total income from current financial assets	5,553	4,170

4.22. Securities and Investments Sold (Expenses)

CZK '000	2006		2005	
	Cost	Nominal value	Cost	Nominal value
Current financial assets				
Czech bonds	52,333	51,400	138,248	135,000
Foreign bonds	27,223	27,250	96,464	98,000
Total expenses from financial assets	79,556	78,650	234,712	233,000

4.23. Interest Income

CZK '000	Year ended 31 Dec 2006	Year ended 31 Dec 2005
Interest on current bank accounts	2	2
Interest on deposit bank accounts	8	1,086
Portfolio – interest, accrued interest income, coupon	6,667	7,833
Other interest received from the loan to a subsidiary	123	0
Total interest income	6,800	8,921

4.24. Other Financial Income

CZK '000	Year ended 31 Dec 2006	Year ended 31 Dec 2005
Foreign exchange gains	12	6
Other	3	6
Total	15	12

4.25. Other Financial Expenses

CZK '000	Year ended 31 Dec 2006	Year ended 31 Dec 2005
Foreign exchange losses	74	139
Banking charges	82	97
Banking charges – bank guarantee	23	15
Banking charges – portfolio	392	16
Total	571	267

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 2006 and 2005:

Figures in persons	Average recalculated headcount – 2006	Average recalculated headcount – 2005
Employees	41	42
Management	5	5
Total	46	47

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

CZK '000	Total staff costs – 2006	Total staff costs – 2005
Staff costs of employees	62,510	58,497
Of which: management	16,679	16,462
Staff costs of the Board of Directors and Supervisory Board	4,410	4,167
Total staff costs	66,920	62,664

The category of “management” includes the CEO and departmental directors.

5.2. Loans, Borrowings, and Other Benefits Provided

During the years ended 31 December 2006 and 2005, 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:

2006

CZK '000	Board of Directors	Supervisory Board	Management
Life and pension insurance contributions	0	0	849
Bonuses	4,410	0	5,461
Cars/other movable and immovable assets to be used for private purposes (the figure increases the tax base of employees)	0	0	348
Other benefits	0	0	135
Total	4,410	0	6,793

2005

CZK '000	Board of Directors	Supervisory Board	Management
Life and pension insurance contributions	0	0	833
Bonuses	3,695	472	4,717
Cars/other movable and immovable assets to be used for private purposes (the figure increases the tax base of employees)	0	0	242
Other benefits	0	0	114
Total	3,695	472	5,906

6. CONTINGENT LIABILITIES AND OFF BALANCE SHEET COMMITMENTS

Legal Disputes

As of 31 December 2006, the Company was involved in no legal dispute, the outcome of which would significantly impact the Company's financial statements, except for the legal dispute with the former employee of the Company for which a reserve was created (refer to Note 4.9.1.).

7. POST BALANCE SHEET EVENTS

On 8 January 2007, a Founding Contract in respect of the formation of the Prague Energy Exchange (Energetická burza Praha) was prepared.

The founders are as follows:

Burza cenných papírů Praha a.s.	investment of CZK 20,000 thousand
UNIVYC, a.s.	investment of CZK 20,000 thousand
Centrální depozitář, a.s.	investment of CZK 20,000 thousand

The investments were paid in full by the founders.

The company was recorded in the Register of Companies on 5 March 2007.

The principal activities are as follows:

- Commodities transactions with prompt delivery;
- Term commodities transactions – transactions with commodity derivatives; and
- Auxiliary transactions entered into on the stock exchange related to commodities sold on the stock exchange (specifically insurance contracts, storage contracts, transportation contracts and shipping contracts).

The stock exchange transactions involve:

- Electricity; and
- Indexes derived from prices of commodities.

Consolidated Balance Sheet

Consolidated Balance Sheet as of 31 December 2006

CZK '000	Note	2006	2005
CURRENT ASSETS			
Cash	5	86,176	27,313
Trade receivables (net)	6	34,129	27,372
Securities at fair value through profit or loss	7	315,570	326,918
Securities held to maturity	8	699,949	364,152
Other current assets	9	16,393	10,360
Total current assets		1,152,217	756,115
NON-CURRENT ASSETS			
Tangible fixed assets (net)	10	18,129	24,323
Intangible fixed assets (net)	11	3,732	4,305
Long-term receivables (net)	12	122	264
Total non-current assets		21,983	28,892
TOTAL ASSETS		1,174,200	785,007
CURRENT LIABILITIES			
Trade payables	13	12,048	11,896
Payables to partners and associations	14	272,214	201,364
Taxes payable	24	29,846	27,461
Other payables	15	344,216	60,472
Total current liabilities		658,324	301,193
NON-CURRENT LIABILITIES			
Deferred tax liability	16	563	1,506
Other long-term payables	16	9,583	4,571
Total non-current liabilities		10,146	6,077
SHAREHOLDERS' EQUITY			
Share capital	17	266,316	313,792
Treasury shares	17	(1,095)	(43,614)
Capital funds	17	65,166	58,270
Retained earnings/(accumulated losses)	17	175,343	149,289
Total shareholders' capital		505,730	477,737
LIABILITIES AND SHAREHOLDERS' EQUITY		1,174,200	785,007

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

Consolidated Profit and Loss Account

Consolidated Profit and Loss Account for the year ended 31 December 2006

CZK '000	Note	2006	2005
Revenues	18	357,012	304,816
Services	19	(54,615)	(59,971)
Material	19	(2,481)	(3,456)
Staff costs	20	(92,686)	(86,373)
Depreciation and amortisation	21	(12,626)	(11,949)
Operating income/(expenses)	22	(5,349)	(1,406)
Profit from operating activities		189,255	141,661
Net financial income	23	12,204	5,001
Profit before tax		201,459	146,662
Income tax	24	(52,698)	(41,820)
Profit/(loss) after tax		148,761	104,842

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

Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Equity for the year ended 31 December 2006

CZK '000	Share capital	Treasury shares	Capital funds	Retained earnings/ (accumulated losses)	Total
31 December 2004	365,741	(73,473)	59,856	23,473	375,597
Allocation of retained earnings	–	–	2,252	(2,252)	0
Other	–	–	(3,838)	3,838	0
Treasury shares	–	(2,702)	–	–	(2,702)
Share capital decrease	(51,949)	32,561	–	19,388	0
Net profit	–	–	–	104,842	104,842
31 December 2005	313,792	(43,614)	58,270	149,289	477,737
Allocation of retained earnings	–	–	6,896	(6,896)	–
Dividends paid	–	–	–	(120 673)	(120 673)
Treasury shares	–	(95)	–	–	(95)
Share capital decrease	(47,476)	42,614	–	4,862	–
Net profit	–	–	–	148,761	148,761
31 December 2006	266,316	(1,095)	65,166	175,343	505,730

Dividends of CZK 120,673 thousand were paid in the year ended 31 December 2006. The share capital decrease 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 2006.

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

Consolidated Cash Flow Statement

Consolidated Cash Flow Statement for the year ended 31 December 2006

CZK '000	2006	2005
Cash flows from operating activities:		
Profit before taxes	201,459	146,662
Adjustment for non-cash transactions		
Depreciation and amortisation, change in provisioning	8,370	11,949
Profit or loss on the sale of tangible and intangible fixed assets	(7)	2,532
Interest income	(11,456)	(10,522)
Operating profit before taxes and changes in working capital	198,366	150,621
Change in accounts receivable	(11,547)	(6,807)
Change in securities held for trading and held to maturity	(324,449)	(362,193)
Change in accounts payable	364,548	130,592
Net cash flow from operating activities	226,918	(87,787)
Interest received	12,712	11,711
Income taxes paid	(54,112)	(13,411)
Cash flows from investing activities:		
Acquisition of tangible and intangible fixed assets	(5,894)	(22,126)
Proceeds from the sale of tangible and intangible fixed assets	7	1,294
Net cash flow from investing activities	(5,887)	(20,832)
Cash flows from financial activities:		
Change in long-term payables	0	967
Acquisition of treasury shares	(95)	(2,702)
Dividends paid	(120,673)	0
Net cash flow from financial activities	(120,768)	(1,735)
Net increase/(decrease) in cash and cash equivalents	58,863	(112,054)
Cash and cash equivalents at the beginning of the year	27,313	139,367
Cash and cash equivalents at the end of the year	86,176	27,313

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

1. BACKGROUND INFORMATION

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 2006

The General Meeting of Burza cenných papírů Praha, a.s., held on 14 June 2006, decided to decrease the share capital by the amount of CZK 1,100 thousand to a new level of CZK 265,216 thousand. Following this decision, "Application for a change in the Company's details held by the Register of Companies" was filed. The decrease of the share capital was registered by the Register of Companies held by the District Court in Prague on 24 August 2006.

On 29 March 2006, the decrease in the share capital of CZK 47,476 thousand was recorded in the Register of Companies held by the Municipal Court in Prague. This decrease was approved at the General Meeting held on 9 June 2005.

In view of the EU requirement for standardising the process of settlement of securities transactions and the system of securities registration, work on establishing Centrální depozitář, a.s. continued in 2006. Preparatory work was conducted pursuant to the resolution of the Stock Exchange Chamber of 21 April 2004, whereby the Stock Exchange Chamber agreed that further preparation would continue according to the scenario where UNIVYC will file an application for a licence to operate a central depository.

UNIVYC filed an application for the central depository licence on 31 January 2005.

During 2005, the regulator interrupted twice the administrative procedure and appealed to UNIVYC to provide the missing information in the application, specifically provide documentation related to the security of systems, business continuity and full-scope testing of the functioning of the system of securities registration and settlement.

All requirements of the regulator were fulfilled by UNIVYC by the end of 2005. The regulator's last appeal for the provision of information was delivered to UNIVYC on 24 February 2006. In this case, the subject matter of the appeal – presentation of a new business plan of Centrální depozitář – fully related to the preparation of a new valuation of the records of the Securities Centre which falls within the remit of the Czech Finance Ministry.

Based on the information from UNIVYC's members, the activities of Centrální depozitář could start within 4 – 6 months after the licence is received. UNIVYC's members will require this period to adjust their own systems following up on the activities of Centrální depozitář.

3. BASIS OF ACCOUNTING

The consolidated financial statements are prepared in accordance and comply with International Financial Reporting Standards (“IFRS”) and IFRS as adopted by the European Union, applicable for consolidated financial statements for the year ended 31 December 2006. As of the date of issuance of these consolidated financial statements, IFRS as adopted by the European Union do not differ from IFRS, except for portfolio hedge accounting under IAS 39 which has not been approved by the EU. The consolidated financial statements are prepared on the accrual basis of accounting whereby the effects of transactions and other events are recognised when they occur and are reported in the financial statements of the periods to which they relate, and on the going concern assumption. The consolidated financial statements include a balance sheet, a profit and loss account, a statement of changes in equity, a cash flow statement and notes to the financial statements containing accounting policies and explanatory disclosures.

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

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

The presentation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as 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 Company 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

Cash comprises cash on hand and cash in transit.

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

4.3. Accounts Receivable

Accounts receivable are shown net of provisions for doubtful accounts. The provisions are based on individual assessment of recoverability of individual receivables.

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 at fair value through profit or loss" 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), with the exception of securities at fair value through profit or loss which are recorded at their cost net of transaction costs.

Securities at Fair Value through Profit or Loss

The portfolio includes debt and equity securities held for trading, that is, securities held by the Group with the intention of reselling them, thereby generating profits on price fluctuations in the short-term, and debt and equity securities that were designated, upon initial recognition, as at fair value through profit or loss. Securities at fair value through profit or loss are recognised at cost at the acquisition date and subsequently remeasured at fair value. Changes in the fair values of assets held for trading are recognised in the profit and loss account as "Net financial income". For debt and equity securities traded on the Prague Stock Exchange ("PSE"), fair values are derived from quoted prices.

For debt and equity securities traded on the Prague Stock Exchange ("PSE"), fair 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 maturity of the securities.

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. Financial assets held to maturity are valued at amortised cost using the effective interest rate method.

The recoverable value of securities held to maturity equals the present value of anticipated future cash flows discounted using the original effective interest rate of the given financial instrument.

Financial assets acquired using the funding from the Stock Exchange Guarantee Fund ("SEGF") or funding from lent securities are stated at cost on the face of the balance sheet and are not remeasured.

4.5. Tangible and Intangible Fixed Assets

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

	Depreciation period in years
Machinery and equipment	3 – 5
Vehicles	4
Furniture and fixtures	5 – 12
Software	3
Other intangible assets	4 – 10

4.6. Impairment of Assets

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

The largest components of the Group's assets are periodically tested for impairment and temporary impairments are provisioned through the profit and loss account line "Operating income/(expenses)". An increased carrying amount arising from the reversal of a temporary impairment must not exceed the carrying amount that would have been determined (net of amortisation or accumulated amortisation) had no impairment loss been recognised for the asset in prior years.

4.7. Revenue Recognition

Revenues are recognised in profit or loss in the period when the transaction is completed in accordance with the contract for the provision of services.

4.8. Income Tax

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

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

4.9. 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.

4.10. Fair Value of Financial Instruments

IAS 32 "Financial Instruments: Disclosure and Presentation" 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 2006 and 2005, management of the Group believes that the carrying amount of cash and cash equivalents, securities 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.

4.11. Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are reported in the financial statements in CZK. At each balance sheet date:

- (i) Cash items denominated in foreign currencies are translated into CZK at the CNB mid-rate ruling at the financial statements date;
- (ii) Non-cash items denominated in foreign currencies, which are stated at historical cost, are translated into CZK at the CNB mid-rate ruling at the transaction date; and
- (iii) Non-cash items denominated in foreign currencies, which are measured at fair value, are translated into CZK at the CNB mid-rate ruling at the date on which the fair value was determined.

Income and expenses denominated in foreign currencies are recorded in Czech Crowns in the accounting system of the Group and are therefore reported in the financial statements at the exchange rate prevailing as of the date of the transaction.

Gains or losses arising from movements in exchange rates after the date of the transaction are recognised in "Net profit/(loss) on financial operations".

4.12. Share Capital and Treasury Shares

Where the Group purchases its own treasury shares or obtains rights to purchase its treasury shares, the consideration paid including any attributable transaction costs is shown as a deduction from total shareholders' equity. Gains and losses on sales of treasury shares are recorded in equity.

4.13. Changes in Accounting Policies arising from the Adoption of New IFRSs and Amendments to IASs effective 1 January 2007

At the date of authorisation of these financial statements, the following standards were in issue but not yet effective:

- IFRS 7 "Financial Instruments: Disclosures" (effective 1 January 2007); and
- Amendments to IAS 1 "Presentation of Financial Statements" on capital disclosures (effective 1 January 2007).

The adoption of these standards in the future periods is not expected to have a material impact on the consolidated profit or equity.

5. CASH

Cash as of 31 December 2006 and 2005 consists of the following balances:

CZK '000	2006	2005
Cash on hand	232	357
Cash at bank	85,944	26,956
Total cash	86,176	27,313

The balance of cash as of 31 December 2006 was impacted by the increase of funds on the current accounts of the SEGF in the amount of CZK 47,599 thousand (refer to Note 8) due to the commencement of derivative transactions.

6. TRADE RECEIVABLES

Receivables as of 31 December 2006 and 2005 consist of the following balances:

CZK '000	2006	2005
Trade receivables	35,702	36,893
Other receivables	4,328	4,873
Total receivables (gross)	40,030	41,766
Provision	(5,901)	(14,394)
Total receivables (net)	34,129	27,372

In the year ended 31 December 2006, a past due receivable of CZK 6,130 thousand was written off on the basis of the out of court settlement. Concurrently, the provision against this receivable was released.

7. SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

CZK '000	2006	2005
Traded debt securities and other fixed income securities	104,823	143,576
Traded shares and other variable yield securities	210,747	183,342
Total securities held for trading	315,570	326,918

8. SECURITIES HELD TO MATURITY

Securities held to maturity comprise:

CZK '000	2006	2005
Government T-bills acquired from the SEGF's funds	193,793	178,600
Depository bills of exchange acquired from the SEGF's funds	30,828	21,100
Depository bills of exchange from funds for lent securities	324,258	52,492
Depository bills of exchange	151,070	111,960
Total	699,949	364,152

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 Council, 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 accounts maintained in the name of UNIVYC. All of the income generated from the debt securities referred to above is 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 2006:

	CZK '000		CZK '000
Bank – current accounts	47,599	Suppliers	6
Debt securities – Government treasury bills	193,793	Payables to members of the SEGF	272,214
– Depository bills of exchange	30,828		
Total assets	272,220	Total liabilities	272,220

9. OTHER CURRENT ASSETS

CZK '000	2006	2005
Deferred expenses	13,920	8,672
Accrued income	46	1 590
Other assets	2,427	98
Total	16,393	10,360

10. TANGIBLE FIXED ASSETS

Acquisition cost

CZK '000	Machinery and equipment	Vehicles	Fixtures and fittings	Other	Total
1 January 2006	67,591	1,345	9,361	13,354	91,651
Additions	3 790	–	64	554	4,408
Disposals	297	–	–	712	1,009
31 December 2006	71,084	1,345	9,425	13,196	95,050

Accumulated depreciation

CZK '000	Machinery and equipment	Vehicles	Fixtures and fittings	Other	Total
1 January 2006	44,191	1,345	8,926	12,866	67,328
Additions	10,051	–	115	436	10,602
Disposals	297	–	–	712	1,009
31 December 2006	53,945	1,345	9,041	12,590	76,921

Net book value

CZK '000	Machinery and equipment	Vehicles	Fixtures and fittings	Other	Total
1 January 2006	23,400	0	435	488	24,323
31 December 2006	17,139	0	384	606	18,129

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

11. INTANGIBLE FIXED ASSETS

Acquisition cost

CZK '000	Software	Other	Total
1 January 2006	74,012	243	74,255
Additions	1,064	728	1,792
Disposals	38,129	215	38,344
Balance at 31 December 2006	36,947	756	37,703

Accumulated amortization

CZK '000	Software	Other	Total
1 January 2006	69,741	209	69,950
Additions	2,294	16	2,310
Disposals	38,129	160	38,289
Balance at 31 December 2006	33,906	65	33,971

Net Book Value

CZK '000	Software	Other	Total
Balance at 1 January 2006	4,271	34	4,305
Balance at 31 December 2006	3,041	691	3,732

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

Disposals of intangible assets in the year ended 31 December 2006 in the amount of CZK 38,129 thousand predominantly include disposal of the Prom Partners software – derivatives (CZK 34,850 thousand) due to its redundancy.

12. LONG-TERM RECEIVABLES

CZK '000	2006	2005
Long-term receivables	122	264
Total	122	264

Long-term receivables included issued long-term advances according to contracts which will be settled after the contractual arrangement expires.

13. TRADE PAYABLES

CZK '000	31 December 2006	31 December 2005
Trade payables	12,048	11,896
Total	12,048	11,896

All trade payables are before maturity.

14. PAYABLES TO PARTNERS AND ASSOCIATIONS

CZK '000	31 December 2006	31 December 2005
Payables to partners and associations	272,214	201,364
Total	272,214	201,364

Payables to partners and associations totalling CZK 272,214 thousand consist of payables to the members of the Stock Exchange Guarantee Fund. For details refer to Note 8.

15. OTHER PAYABLES

CZK '000	2006	2005
Temporary liabilities	7,401	4,508
Payables to staff	5,894	1,878
Social security payables	4,838	1,439
Payables from received guarantees for lent securities	324,259	52,493
Other payables	1,824	154
Total	344,216	60,472

Temporary liabilities principally comprise unbilled services related to the lease of the Stock Exchange Palace building and estimated payables in respect of bonuses.

Other short-term payables principally include payables of CZK 324,259 thousand arising from deposited guarantees. These payables represent guarantees deposited in respect of the securities borrowing service. Under the borrowing rules, the borrower is required to deposit collateral in a special bank account of the Company. As of 31 December 2006, the balance of the collateral account was CZK 1,000. The remaining portion of the received finance totalling CZK 324,258 thousand was invested in short-term debt securities. The year-on-year increase in payables in 2006 was due to the increased demand for securities borrowing services.

16. LONG-TERM PAYABLES

CZK '000	2006	2005
Deferred tax liability	563	1,506
Other long-term payables	9,583	4,571
Total	10,146	6,077

Long-term payables in 2006 and 2005 largely consisted of long-term advance payments received and a deferred tax liability.

16.1. 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 arising from temporary differences:

CZK '000	31 December 2006	31 December 2005
Fixed assets	(1,966)	(1,741)
Reserves	1,251	235
Other	152	0
Deferred tax asset/(liability)	(563)	(1,506)
Adjustment to reflect the anticipated unrealisable part of the deferred tax asset	-	-
Impact on profit/(loss)	943	(1,580)

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

CZK '000	2006	2005
Opening balance	(1,506)	74
Change during the period	943	(1,580)
Net closing balance	(563)	(1,506)

17. SHARE CAPITAL AND SHAREHOLDERS' FUNDS

The balance of the Group's share capital recorded in the Register of Companies comprises 266,316 registered shares with a nominal value of CZK 1,000.

Under a special regulation, the Company is required to repurchase treasury shares 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 repurchased treasury shares 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 the share capital.

Set out below is the development and structure of the Company's treasury shares purchased from and sold to the shareholders during 2006:

CZK '000	Nominal value of shares	Purchase cost of shares
Balance at 31 December 2005	48,476	43,614
Purchases	100	95
Withdrawals	47,476	42,614
Balance at 31 December 2006	1,100	1,095

18. REVENUES

The following table sets out the structure of revenues:

	2006		2005	
	Volume CZK '000	Structure %	Volume CZK '000	Structure %
Exchange charges	232,856	65.2	201,410	66.1
of which: membership fees	14,850	4.2	16,170	5.3
listing charges	11,850	3.3	12,055	4.0
dealing charges	206,156	57.7	173,185	56.8
Sales from the settlement of trades	84,851	23.8	75,688	24.8
Income from primary issues	652	0.2	743	0.2
Sales from securities custody and administration	15,781	4.4	8,508	2.8
Sales from mediation of payments of revenues from securities	23	0	24	0
Sales from other services	22,849	6.4	18,443	6.1
Total revenues	357,012	100%	304,816	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:

CZK '000	2006	2005
Consumed material	(2,481)	(3,456)
Total material	(2,481)	(3,456)
Rent	(20,310)	(20,882)
Other services	(12,675)	(16,034)
Advisory services	(8,168)	(7,614)
Repairs and maintenance	(6,379)	(7,585)
Services connected with the maintenance of a building, communication	(1,526)	(1,476)
Training, seminars and workshops	(1,734)	1,389
Advertising and promotion	(3,823)	(4,991)
Total services	(54,615)	(59,971)
Total	(57,096)	(63,427)

20. STAFF COSTS

CZK '000	2006	2005
Wages and salaries	(61,383)	(57,336)
Social security costs	(21,443)	(19,862)
Social costs	(4,892)	(4,440)
Remuneration to the members of the bodies of the Company and the association	(4,968)	(4,735)
Total	(92,686)	(86,373)
Average headcount	69	70

21. DEPRECIATION AND AMORTISATION

CZK '000	2006	2005
Depreciation of tangible fixed assets	(10,602)	(10,397)
Amortisation of intangible fixed assets	(2,024)	(1,552)
Total	(12,626)	(11,949)

22. OPERATING INCOME/(EXPENSES)

Other operating income/expenses are as follows:

CZK '000	2006	2005
Other operating income	13,753	8,357
Change in provisions and allowances in the operating area	4,255	861
Gains of the sale of fixed assets and material	7	1,295
Other taxes and fees	(251)	(204)
Other operating expenses	(23,113)	(11,715)
Total	(5,349)	(1,406)

Other operating expenses in 2006 included fees for the administration of foreign securities of CZK 9,406 thousand (2005: CZK 5,232 thousand) and the write-off of the past due date receivable of CZK 6,130 thousand on the basis of an out-of-court settlement.

23. NET FINANCIAL INCOME

Other financial income/(expenses) are as follows:

CZK '000	2006	2005
Foreign exchange gains	217	119
Net realised and unrealised profit or loss from securities held for trading	1,632	(4,952)
Interest income	11,456	10,534
Foreign exchange losses	(161)	(224)
Other financial expenses	(940)	(476)
Total	12,204	5,001

“Net realised and unrealised profit or loss from securities held for trading” reflects sales of securities and costs of securities sold and gains or losses from the remeasurement of securities held for trading at fair value which is always performed at the end of the month and at the balance sheet date.

24. INCOME TAX

The following table sets out income tax balances:

CZK '000	2006	2005
Income tax payable – current period	53,641	40,239
Deferred tax (refer to Note 16.1)	(943)	1,581
Total	52,698	41,820

24.1. Income Tax Calculation

CZK '000	2006	2005
Profit/(loss) before tax	201,459	146,662
Theoretical tax calculated at a tax rate of 26 percent (2005: 28 percent)	48,350	38,132
Income not taxable	0	0
Expenses not deductible for tax purposes	18,592	10,429
Other	(5,797)	(2 049)
Adjusted tax base	214,254	155,042
Income tax expense	53,638	40,311
Additional income tax payments	3	(72)
Total income tax expense	53,641	40,239
Movements in deferred taxes (refer to Note 16.1)	(943)	1,581
Total income taxation	52,698	41,820

25. DEVELOPMENT OF RETAINED EARNINGS IN THE YEAR ENDED 31 DECEMBER 2006

CZK '000	2006
Retained earnings	149,289
Profit for the period	148,761
Decrease in the share capital	4,862
Payment of dividends	(120,673)
Allocations to capital funds	(6,896)
Retained earnings as of 31 December 2006	175,343

26. ESTIMATED FAIR VALUE OF ASSETS AND LIABILITIES

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

b) Securities held to maturity

The carrying amounts of short-term securities carried in the "Held to maturity" portfolio (depository bills and treasury bills) 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 2006.

27. FOREIGN CURRENCY POSITION

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

CZK '000	Czech crowns	EUR	USD	Total
Assets				
Cash	85,037	1,125	14	86,176
Trade accounts receivable (net)	33,518	–	611	34,129
Advances provided and other current assets	16,393	–	–	16,393
Securities held for trading	315,570	–	–	315,570
Securities held to maturity	699,949	–	–	699,949
Tangible fixed assets and intangible fixed assets (net)	21,861	–	–	21,861
Long-term receivables (net)	122	–	–	122
Total assets	1,172,450	1,125	625	1,174,200
Liabilities				
Trade accounts payable	10,573	1,475	–	12,048
Payables to partners and associations	272,214	–	–	272,214
Taxes payables and other liabilities	374,062	–	–	374,062
Deferred tax liability	563	–	–	563
Long-term payables	9,583	–	–	9,583
Shareholders' equity	505,730	–	–	505,730
Total liabilities	1,172,725	1,475	0	1,174,200
Net foreign currency position as of 31 December 2006	(275)	(350)	625	0
Total assets as of 31 December 2005	781,313	3,677	17	785,007
Total liabilities as of 31 December 2005	783,357	1,650	0	785,007
Net foreign currency position as of 31 December 2005	(2,044)	2,027	17	0

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 "Undefined" category.

CZK '000	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unde- fined	Total
Assets						
Cash	3,176	–	–	–	83,000	86,176
Accounts receivable (net)	–	–	–	–	34,129	34,129
Advances provided and other current assets	–	–	–	–	16,393	16,393
Securities held for trading	6,898	215,115	93,557	–	–	315,570
Securities held to maturity	635,428	64,521	–	–	–	699,949
Tangible fixed and intangible fixed assets (net)	–	–	–	–	21,861	21,861
Long-term receivables (net)	–	–	–	–	122	122
Total assets	645,502	279,636	93,557	0	155,505	1,174,200
Liabilities						
Trade accounts payable	–	–	–	–	12,048	12,048
Payables to partners and associations	207,693	64,521	–	–	–	272,214
Taxes payables and other liabilities	324,258	–	–	–	49,804	374,062
Deferred tax liability	–	–	–	–	563	563
Long-term payables	–	–	–	–	9,583	9,583
Shareholder's equity	–	–	–	–	505,730	505,730
Total liabilities	531,951	64,521	0	0	577,728	1,174,200
Net interest rate risk exposure as of 31 December 2006	113,551	215,115	93,557	0	(422,223)	0
Total assets as of 31 December 2005	514,052	178,600	0	0	92,355	785,007
Total liabilities as of 31 December 2005	253,857	0	0	0	531,150	785,007
Net interest rate risk exposure as of 31 December 2005	260,195	178,600	0	0	(438 795)	0

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.

CZK '000	On demand	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total
Assets							
Cash	82,903	3,176	–	–	–	97	86,176
Accounts receivable (net)	–	34,129	–	–	–	–	34,129
Advances provided and other current assets	–	16,393	–	–	–	–	16,393
Securities held for trading	–	6,898	18,007	290,665	–	–	315,570
Securities held to maturity	–	635,428	64,521	–	–	–	699,949
Tangible fixed assets and intangible fixed assets (net)	–	–	–	–	–	21,861	21,861
Long-term receivables (net)	–	–	–	–	–	122	122
Total assets	82,903	696,024	82,528	290,665	0	22,080	1,174 200
Liabilities							
Trade accounts payable	–	12,048	–	–	–	–	12,048
Payables to partners and associations	–	207,693	64,521	–	–	–	272,214
Taxes payables and other liabilities	–	339,775	34,287	–	–	–	374,062
Deferred tax liability	–	–	–	–	–	563	563
Long-term payables	–	–	–	9,583	–	–	9,583
Shareholders' equity	–	–	–	–	–	505,730	505,730
Total liabilities	0	559,516	98,808	9,583	0	506,293	1,174 200
Net on balance sheet liquidity risk							
as of 31 December 2006	82,903	136,508	(16,280)	281,082	0	(484, 213)	0
Total assets as of 31 December 2005	25,593	232,222	211,049	287,112	0	29,030	785,007
Total liabilities as of 31 December 2005	0	269,224	31,969	6,077	0	477,737	785,007
Net on balance sheet liquidity risk							
as of 31 December 2005	25,593	(37,002)	179,080	281,035	0	(448,707)	0

30. POST BALANCE SHEET EVENTS

On 8 January 2007, a Founding Contract in respect of the formation of the Prague Energy Exchange (Energetická burza Praha) was prepared.

The founders are as follows:

Burza cenných papírů Praha a.s	investment of CZK 20,000 thousand
UNIVYC, a.s.	investment of CZK 20,000 thousand
Centrální depozitář, a.s.	investment of CZK 20,000 thousand

The investments were paid in full by the founders.

The company was recorded in the Register of Companies on 5 March 2007.

The principal activities are as follows:

- Commodities transactions with prompt delivery;
- Term commodities transactions – transactions with commodity derivatives; and
- Auxiliary transactions entered into on the stock exchange related to commodities sold on the stock exchange (specifically insurance contracts, storage contracts, transportation contracts and shipping contracts).

The stock exchange transactions involve:

- Electricity; and
- Indexes derived from prices of commodities.

Consulting, design and production:
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