

# 2001



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# Profile

## **Burza cenných papírů Praha, a.s.**

(the Prague Stock Exchange, or PSE) is the Czech Republic's main securities market organiser. Through authorised persons operating at an appointed place and a fixed time, it organises the supply of and demand for registered securities, investment instruments and other capital market instruments in accordance with the terms of a licence issued by the Securities Commission.

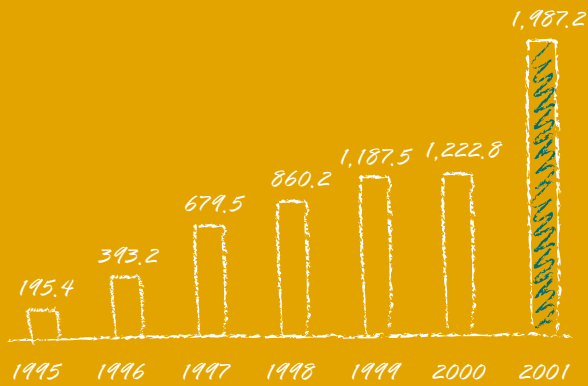
The Exchange is based on the membership principle, which means that all trades concluded on the Exchange are realised through its members.

The Exchange is the major instrument for the market-directed movement of available financial resources and, as the market's regulator, it facilitates the deployment of surplus capital to exactly where it is most in demand from the economic point of view.

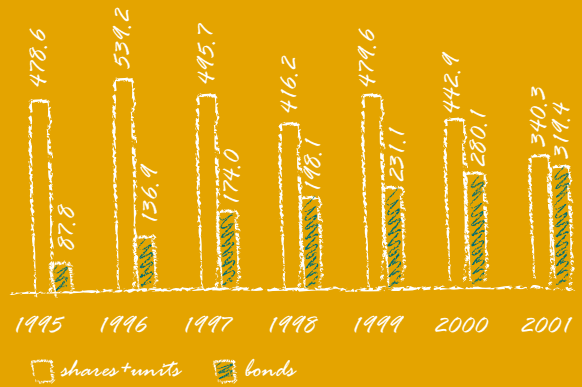
Based on the Ministry of Finance Public Notice No. 17/2002 Coll. the Exchange's trading results have been published, since the beginning of 2002, in electronic form on the Exchange's internet pages. They have also been published in the daily press, especially in *Hospodářské noviny*, on the internet and by information agencies. But the internet pages at [www.pse.cz](http://www.pse.cz) are still the source of the most extensive and up-to-date information from the Exchange, and these give the general investing public access to the PX 50 and PX-D indices, continuous trading results, statistical summaries, detailed information about the issuers and the issues being traded on the Exchange's markets and a great deal of other information about the capital market.

The Exchange also provides educational and consulting services for those participating in the capital market.

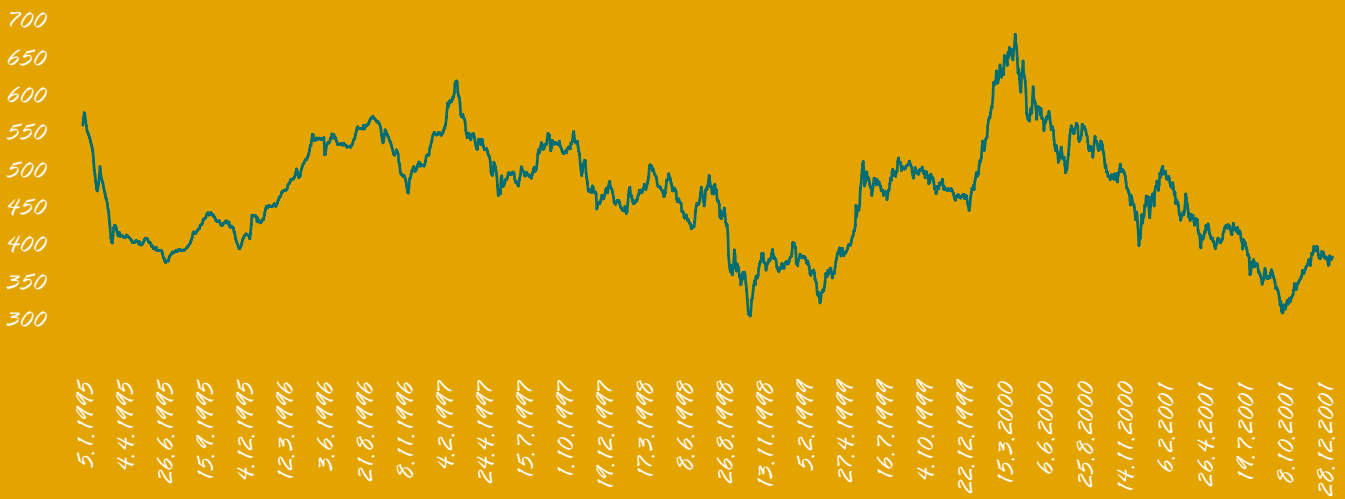
Total annual value of trades  
(CZK bn)



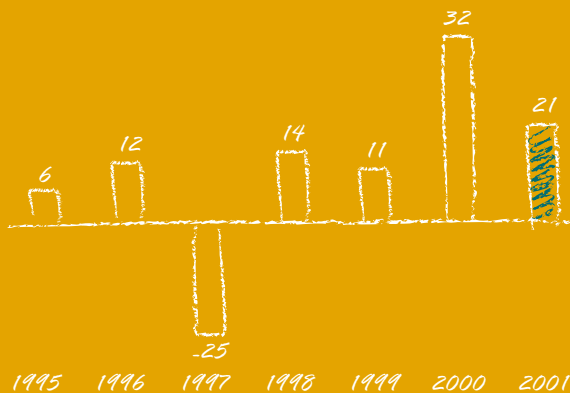
Market capitalisation of shares +  
units and bonds (CZK bn)



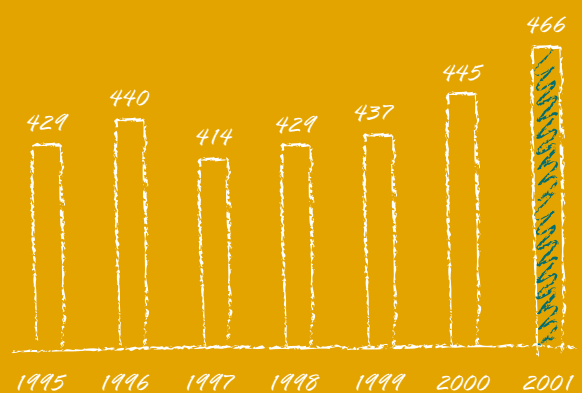
PX 50 Index, 1995 - 2001



Profit (Loss after tax)  
(CZK m)



Equity  
(CZK m)



## SELECTED INDICATORS

### Basic trading data as at 31 December

	2001	2000	1999	1998	1997	1996	1995
Total value of trades (CZK m)	1,987,179	1,222,833	1,187,486	860,192	679,537	393,200	195,407
Average daily value of trades (CZK m)	7,949	4,911	4,675	3,427	2,718	1,579	835
PX 50 Index	394.6	478.5	489.7	394.2	495.3	539.6	425.9
PX-D Index	1,065.6	1,366.0	1,296.7	996.4	1,235.0	-	-
Market capitalisation of shares and units (CZK m)	340,251	442,894	479,650	416,202	495,681	539,242	478,634
Total value of share and unit trades (CZK m)	128,799	264,145	163,457	172,594	246,301	249,935	125,643
CM's %age of share and unit trades	92.3	93.1	87.0	41.7	8.9	11.5	17.4
No. of share and unit issues on the Main market	5	5	8	10	45	44	62
No. of share and unit issues on the Secondary market	48	60	81	96	58	52	6
No. of share and unit issues on the Free market	49	86	106	198	217	1,574	1,648
Market capitalisation of bonds (CZK m)	319,399	280,075	231,116	198,107	174,005	136,918	87,832
Total value of bond trades (CZK m)	1,858,380	958,688	1,024,029	687,598	433,236	143,264	69,764
No. of bond issues on the Main market	28	30	30	33	33	26	20
No. of bond issues on the Secondary market	14	11	3	3	2	1	0
No. of bond issues on the Free market	42	53	62	62	57	53	28
%age share of the Exchange and Univyc in the value of trades and transfers in the Czech Republic	99.4	96.0	89.4	84.6	64.6	34.1	43.8

CM = Central market

### Key financial indicators (CZK m)

	2001	2000	1999	1998	1997	1996	1995
Revenues	202	241	265	258	267	309	213
Costs	168	192	245	240	288	295	199
Profit/loss before tax	34	49	20	18	-21	14	14
Profit/loss after tax	21	32	11	14	-25	12	6
Equity	466	445	437	429	414	440	429

Selected financial indicators confirm the long-term positive development in the Exchange's own financing resources. These are, despite a decline in revenues, positively influenced by the lowering of operating costs.

**Pavel Hollmann, General Secretary  
of the Prague Stock Exchange,  
answers questions on developments  
at the PSE in 2001 in the context  
of the Czech capital market.**

# Interview

**with the  
Exchange's  
General  
Secretary**

The previous year's positive trend in the Czech economy continued in 2001. Gross Domestic Product grew by 3.6%, the best result since 1996. This positive trend was driven primarily by the privatisation of petrochemicals, radiocommunications and telecommunications companies, and it should also continue in 2002 with the completion of banking privatisation and a further inflow of foreign investment to the Czech Republic.



#### **How did requirements for the functioning of the Czech Republic's capital market change in 2001?**

Amended laws on the capital market came into force in 2001, and these helped to make the market more transparent and brought it closer to the advanced financial markets. In particular, stricter criteria were imposed for registration of securities on organised markets, which resulted in illiquid issues being withdrawn from Exchange markets and the introduction of an information disclosure duty in respect of all registered securities.

Despite the indisputable contribution of these legislative changes, their practical application showed that further changes in the Czech legal environment were needed. During 2001, work had already begun on these and at the end of the year an amendment to the Commercial Code was approved which has greatly simplified the conditions under which new issues can enter the Exchange's market.

#### **Were there any negative developments on the Czech capital market in 2001?**

The financial troubles of certain securities traders was the chief negative influence on the Czech capital market, and three brokerage houses ended up being declared bankrupt. This problem reopened discussion about the effective supervision of capital market participants and helped to accelerate the drafting of an amendment to the Securities Commission Act.

#### **How will the Czech capital market's legal environment develop in future? Are more legislative changes expected?**

As I've already mentioned, an amendment to the Securities Commission Act has been drafted and this is being discussed by the Senate right now (end of April 2002). Its aim is to remove the ambiguities in the Commission's powers and define its authority more precisely. Simultaneously with the Securities Commission Act's amendment, changes are being made to the Securities Act, the Stock Exchange Act and the Commercial Code. However, the most important change in the area of capital market legislation is the drafting of two new laws, the Collective Investment Act, which will replace the Act on Investment Companies and Investment Funds, and the Capital Market Enterprise Act, which will replace the Securities Act and the Stock Exchange Act. The reason why two quite new laws are being prepared is the fact the unavoidable legislative changes needed to harmonise Czech law with EU law cannot be made only by amending the existing legislation.

#### **How did the legislative changes affect the Exchange rules?**

In 2001, the Exchange continued to amend its rules and regulations in light of the changes made to the capital market legislation. Major changes were made to the regulations dealing with registration of securities on the Exchange and, in line with the amended Securities Act, new information disclosure duties were imposed on issuers whose securities are registered for the Exchange's Free market. Other parts of the Exchange Regulations dealing with membership, trading and settlement were also changed to meet the requirements of the amended legislation. Other changes to the Exchange Regulations approved by the Exchange Chamber at its December meeting have helped to speed up the process of admitting short-term bonds and individual issues of a bond programme and strengthen the role of the Exchange Guarantee Fund.

#### **Were any changes made to the PSE's policy on fees as part of the amendment of the Exchange rules?**

There were only partial changes. It still remains the case that all changes to fees are made with the aim of minimising the cost of transactions to Exchange members while at the same time making trading and settlement more comfortable.

#### **Could you describe the changes in the structure of securities on PSE markets?**

Amendment of the Securities Act has brought a great many fundamental changes. The replacement of publicly tradeable securities by registered securities has now been linked to the market organiser's power to decide on whether a security can be admitted to or retained on a public market. The amended legislation also requires market organisers to examine whether issues already being traded meet the newly-defined requirements. Based on regular reviews of the fitness of issues, 18 administrative proceedings for the withdrawal of issues from trading were begun during 2001. Units of open-end unit funds were also withdrawn from the PSE's market because they did not satisfy the legal definition of an investment security. As a result, during 2001 the number of issues and units was reduced from 151 to 102, mainly as a result of applying the stricter requirements for issues registered for Exchange markets. The number of bond issues fell only slightly and this was reflected in the smaller number of issues on the Exchange's Free market. 13 issues, mostly of bonds, were admitted to Exchange markets, including two issues whose nominal value had been fixed in the euro.

#### **Could you briefly describe trends in trading on the Exchange during 2001?**

Trading on the PSE was influenced to a large extent by the situation on foreign markets. The most significant fall in the Exchange's main indices occurred in September, after the terrorist attacks on the United States. The overall value of trades for the year reached CZK 1, 987 billion, a 62.5% increase on 2000. The average daily value of trades rose 62% year-on-year to almost CZK 8 billion. The value of bonds traded rose sharply by 93.8%. Conversely, the total value of share and unit trades fell 51.2% against the record year of 2000. The importance of the Exchange's prestigious markets - the Main and Secondary - grew significantly, with registered securities traded on these markets accounting for 93.5% of the total value, as against 82.7% in 2000.



## **The Exchange is approaching the European standards by gradually changing conditions for admission of a security to trading.**

### **What kind of projects was the Exchange working on in 2001?**

One of the most important was the project to unify databases, which led to changes in the way the Exchange prepared and disseminated information. Publication of the Exchange information circulated to subscribers at the end of each trading day began in its new form on 2 January 2002. The changes were principally intended to make the information's organisation more transparent, separate files containing news of trading from information on securities and unify the structures of information on the prompt and prepared derivatives markets.

The Exchange's other projects were aimed at increasing systems security, simplifying and improving the reliability of communication between the Exchange and market participants, completing the software needed for the Exchange's inspection work and improving the quality of the internal information system, especially the technology's reliability.

### **How are the preparations for derivatives trading progressing?**

From this point of view, 2001 was a very significant year. The necessary groundwork for opening trading and settlement was laid. The Exchange and UNIVYC confirmed their readiness for the opening of derivatives trading in terms of both the technical, legal and material requirements and staffing. On August 2, the Securities Commission granted the Exchange a licence to organise options and futures trading in selected basic assets, and on December 17 Univyc was granted a licence to settle derivatives trades closed on the Exchange.

Other necessary requirements for the opening of organised derivatives trading on the Czech capital market is the granting of derivatives licences to individual brokerage houses, which have to meet the capital, technical, organisational and staffing requirements fixed by the Commission, the preparation of the traders' systems and the passing of brokers' examinations.

### **Was 2001 a successful year for the PSE in terms of profit?**

In 2001, the Exchange made a pre-tax profit of more than CZK 33.5 million. This result was very positively affected by the lower cost of operating on the Exchange, since the fall in revenues from Exchange fees, despite higher value of trades, meant that revenues were down on previous years. Despite lower costs - mainly attributable to the further development of technology - the Exchange was able to offer a wider range of services.

### **And what about foreign relations?**

One of the major events for the Exchange in 2001 was its admission to the Federation of European Stock Exchanges (FESE). At the FESE General Meeting in Paris on 14 June 2001, the PSE was accepted as an associate member of the federation. After the Czech Republic's accession to the European Union, associate membership will be upgraded to full membership. Our membership is recognition of the level reached by the PSE on the Czech capital market.

# Milestones



## in the PSE's History

<b>November 4, 1992</b>	Prague Stock Exchange formed.
<b>April 6, 1993</b>	Trading opened in 7 securities issues.
<b>June 22, 1993</b>	622 share issues from the 1st wave of coupon privatisation launched on the Exchange's market.
<b>July 13, 1993</b>	333 share issues from the 1st wave of coupon privatisation launched on the Exchange's market.
<b>April 5, 1994</b>	Calculation of the Exchange's official PX 50 index begun.
<b>March 1, 1995</b>	674 share issues from the 2nd wave of coupon provatisation launched on the Exchange's markets.
<b>April 6, 1995</b>	The PX-GLOB and PXL summary indices opened, along with 19 sector indices.
<b>September 1, 1995</b>	The Exchange's market divided into three new markets: the Main, the Secondary (originally the listed market) and the Free (originally the unlisted market).
<b>March 15, 1996</b>	Trading begun in the KOBOS system (continual trading at variable prices) with 5 share and 2 bond issues.
<b>1997</b>	1,301 illiquid share issues withdrawn from the Exchange's Free market.
<b>January 5, 1998</b>	35 companies transferred from the Main to the Secondary market for failing to meet the Central market's liquidity requirements.
<b>May 25, 1998</b>	Trading opened in the SPAD system (System for Support of the Share and Bond Market).
<b>January 4, 1999</b>	The new continuously-calculated PX-D index introduced.
<b>September 20, 1999</b>	75 share issues withdrawn from the Free market.
<b>June 14, 2001</b>	PSE accepted as an associate member of the Federation of European Stock Exchanges (FESE) at its General Meeting.

# Events

## JANUARY

**01/02** The Exchange began continuous publication of information about registered block trades.

## FEBRUARY

**02/21** The Exchange Chamber appointed Pavel Hollmann and Jan Blaško as new members of the Exchange Chamber until the General Meeting.

## MARCH

**03/09** The total value of trades for the first time passed the CZK 20 billion mark, reaching CZK 22.012 billion.

## APRIL

**04/20** Representatives of the five central European exchanges (Bratislava, Budapest, Ljubljana, Prague and Warsaw) met in Warsaw to discuss the next steps in their mutual cooperation.

## MAY

**05/01** Amendments to the parts of the Exchange Regulations dealing with membership and admission of securities to markets already approved by the Exchange Chamber came into force.

**05/31** The 9th Ordinary General Meeting of Shareholders approved the resolution on distribution of the profit for 2000, which reached - after taxation - the record figure of CZK 32.4 million. It also approved changes to the structure of the Exchange Chamber and the Supervisory Board.

## JUNE

**06/14** The PSE was accepted as an associate member of the Federation of European Stock Exchanges (FESE) at its General Meeting.

**06/07** At their first meeting, the Exchange Chamber's newly-elected members elected George Jedlička as Chairman and Dušan Baran as Vice-Chairman.

**06/20** The Exchange Chamber approved draft parameters (on spread and liquidity) for the registration of a security at the Exchange in compliance with the amended Securities Act.

## JULY

**07/01** Amendments to the parts of the Exchange Regulations dealing with trading and settlement in compliance with the amended Securities Act already approved by the Exchange Chamber, came into force.

## AUGUST

**08/02** The Securities Commission awarded the Exchange a licence to organise a public market in selected options and futures subject to the set requirements being met.

**08/23** The Exchange Chamber decided to withdraw 13 issues from trading. The issues did not meet the requirements of the Securities Act.

In the period from January to August, the value of bonds traded on the Exchange reached CZK 1,121.6 billion, which was 17.0% higher than the value of trades for the whole of 2000.

## OCTOBER

**10/08** The regular half-year meeting of the Central European Stock Index (CESI) Committee met in Prague to update the base of the CESI index for the period 1 November 2001 - 30 April 2002.

**10/17** The Exchange Chamber noted the resignation of Radovan Vávra as a member.

**at 10/24** The Exchange stopped acting as an intermediary for units of open-end unit trust primary issues and redemptions on the Free market.



## of the Year 2001

### NOVEMBER

**11/01** Changes to the Exchange Membership Regulations already approved by the Exchange Chamber came into force.

**11/09** The total daily value of trades reached CZK 27.281 billion, the highest figure in the Exchange's history.

**11/14** The Exchange Chamber appointed Tomas Spurny as a member, approved reorganisation of the Exchange information dissemination services w.e.f. 2 January 2002 and, after examining the fitness of issues to remain on the Exchange in compliance with the amendment to the Securities Act, decided to withdraw another 5 issues from trading w.e.f. December 21.

**11/22** The first issue traded in the euro was registered on the Exchange's Secondary market. It was a bond issue launched by Czech Repackaged Securities Transactions PLC (CREST).

In November - for the first time in the PSE's history - the total monthly value of trades passed the CZK 300 billion mark to reach the record figure of CZK 303.085 billion.

### DECEMBER

**12/11** The Exchange Trades Committee approved changes to the Principles Governing Updating of the PX 50 Index Base. The amended principles state that the number of issues in the base can be varied, although it must not exceed 50.

**12/17** The Securities Commission awarded UNIVYC, a.s. a licence to settle derivative trades closed on the Exchange.

### 2002

**January 1** The 2002 Tariff of Exchange Fees came into force, together with changes to the Exchange Regulations in part Settlement Rules and the parts dealing with the admission of a security to the Exchange's markets.

**January 1** The classification of securities was reorganised and the securities were newly included into trading groups 1, 2 and 3. For all securities included in the continual regime as part of automated trading, the size of a lot was fixed at one unit.

**January 2** The Exchange launched its reorganised system of disseminating information to subscribers at the end of every trading day.

**January 2** In line with the new Principles Governing Updating of the PX 50 Index Base, its base consisted of 37 issues.

**March 8** The Exchange Chamber noted George Jedlička's resignation as a member and as Chairman of the Exchange Chamber and as Chairman of the Exchange Listing Committee and the resignation of Zdeněk Bakala as a member of the Exchange Chamber. It elected Michael Jasanský to the Exchange Chamber.

**April 4** The Exchange Chamber elected Dušan Baran as its Chairman and Michael Jasanský as its Vice-Chairman.

# The Com

# Company's

## Strategy

### **The PSE's strategic direction**

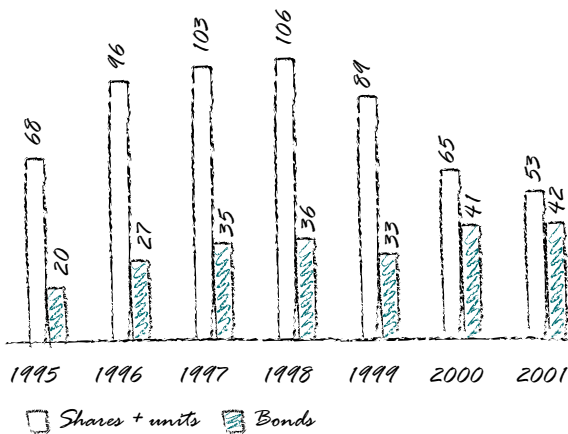
is of pivotal concern to its shareholders, who have put the issue on the agenda of the Ordinary General Meeting. The key role in deciding the Exchange's next moves is played by foreign relations and forms of possible cooperation between the PSE and foreign markets. In the forthcoming period, therefore, apart from its bilateral and multilateral cooperation within the framework of the FESE, the Exchange's foreign relations will be determined above all by the need to establish its standing in relation to the emerging or envisaged groupings and alliances on the European capital market. One of the most sensitive tasks over the next two years will be to find the best method and time for linking the PSE to European structures. The current state of European discussions on the globalised markets of the future indicates that the prevailing trend is towards creating groups based on a common, unified technological platform rather than forming an alliance of a variety of trading systems. This European trend will also significantly influence the PSE's future technological and investment strategies.

In the upcoming period the Exchange will focus its efforts on finding ways to reduce its operational costs. For the Exchange's further development it is also necessary to concentrate on the preparation of new products and services that would make the Exchange more attractive and increase its income. Its further activities will also be substantially affected by future developments on the Czech capital market which should begin to fulfill its principal role as a source of capital.

The PSE is also playing an active part in preparing legislative changes related to the capital market. Along with representatives of financial institutions, associations and interest groups and lawyers and economists working on the capital and money markets, it is a member of a working group drafting a bill on enterprise in the capital market. The Czech Republic's Ministry of Finance, assisted by the Securities Commission, is coordinating this work, and a final version of the bill is due to be submitted to the Chamber of Deputies by September 2002. The law is being drafted in line with envisaged changes to the Civil Code and private law. It will partially replace the existing Securities Act, except the part on private law relating to securities contracts, and completely replace the Stock Exchange Act.

# The PSE

*No. of issues on the Main and Secondary markets*



## STRUCTURE OF THE SECURITIES MARKET

Since 1 November 2001, the closely-related activities in the sphere of securities and management of trading are the responsibility of the Trading and Securities Department. In 2001, in addition to their normal work, the PSE's trading management staff participated in preparation of projects mainly designed to make trading more transparent and simpler in line with the needs of market participants.

In the area of securities, the PSE continued to try to increase the appeal of securities registered on its markets. In 2001, for example, for the first time in its history, the PSE admitted issues for trading whose value was denominated in the euro.

Further extension of transparency and EU-standardisation were helped by an amendment to the Securities Act imposing stricter requirements for the registration of a security on public markets. However, the amended law did not fully meet the expectations of the public market's organiser and did not create the legislative prerequisites necessary to enable attractive foreign securities to be traded on the Prague market. Nevertheless, the PSE will continue to press for their adoption so that the local securities market can be enlarged.

JIŘÍ OPLETAL, Director of the Trading and Securities Department





## Activities in 2001

### The PSE allows trading on four markets:

- the Main
- the Secondary
- the New
- the Free

The requirements of the individual markets are specified in the Exchange Regulations. Before an issue is admitted to trading on an Exchange market, the issuer must submit an application and meet the requirements stipulated in the Exchange Regulations, and its application must be accepted by the Exchange Listing Committee.

**The Main and Secondary markets** are regarded as prestigious markets, since stricter requirements have to be met before an issue and its issuer are admitted to trading on these markets. By being admitted to these markets, the issuer signals that it is open and accommodating and willing to communicate with the investing public.

The Exchange's **New market** is an organic part of the Secondary market, which is designed mainly for companies with a short history and a viable business plan. These companies can raise funds on the capital market through public subscription and use them to finance further growth and innovation. The New market requires the nomination of a patron which will act as guarantor of the new company to the investing public. The patron is responsible for preparing the issuer to join the New market and then continually verifying the issuer's fulfillment of its disclosure duties during the whole period of its issue's inclusion in the New market. By the end of 2001, however, no issue had been admitted to this market.

Securities can be admitted to trading on the **Free market** if they meet the requirements stipulated by the Securities Act. If they do, then no further duties are imposed on the issuer by the Exchange.

### Disclosure duties of issuers

#### Free market

The Exchange regulations require an issuer whose issue has been registered on the Free market to fulfil its disclosure duties under the Securities Act. This mainly requires the issuer to submit annual reports, including financial statements and half-year reports and information about the convening of a general meeting, payment of dividends, proposed changes to the issuer's memorandums of association, statutes or founding deeds and all other facts about the issuer which could cause a significant change in the price of the security issued by it.

#### Prestigious markets

The Exchange Regulations impose other duties on issuers whose securities are registered on the PSE's Main, Secondary and New markets, including the submission of preliminary economic results and the sending of quarterly economic results and the minutes of general meetings. In addition, companies from the Main market must submit ordinary financial statements compiled in accordance with International Accounting Standards (IAS). All information, apart from original or notarised documents, is sent electronically to the Exchange. After information about issues and issuers of securities has been checked, it is disseminated in real time to the member companies and information agencies.

## THE PSE'S ACTIVITIES IN 2001

The Exchange also in 2001 monitored issuers' fulfillment of their disclosure duties. As a result of the Exchange's constant cooperation with issuers, its educational activities, and the greater experience of issuers and other factors, there has been an improvement in the honouring of disclosure duties. The proof is the fact that in the year under review only two sanctions were imposed - a non-public reprimand and the permanent exclusion of a security from trading on the Exchange.

### Changes to the Exchange rules

The parts of the Exchange Regulations stipulating the Requirements for Admission of a Security to Trading at the Exchange, the Requirements for Admission of a Security to Trading on the New Market and the Requirements for Admission of a Security to Trading on the Free Market were amended following amendments to the legislation regulating the capital market, especially the Securities Act, the Commercial Code, the Bonds Act and the Stock Exchange Act.

The part of the Exchange Regulations dealing with the Free market underwent a major change when disclosure duties under the Securities Act were made stricter. The Exchange Regulations also reflected the legal concept of registration for the public market, including stricter requirements for the admission of a security to trading and its retention on a public market. The Securities Act also imposes a new duty on organisers of public markets to check the compliance of already registered issues with the newly-defined legal requirements. For this purpose, the Exchange devised its own system and criteria for the regular checking of all issues registered on Exchange markets. As a result, during 2001 administrative proceedings were opened in 18 cases related to the withdrawal of issues from trading.

All units of open-end unit trusts were withdrawn from the Exchange market during 2001 because they did not satisfy the legal definition of an investment security.

Another change to the Exchange Regulations, which came into force on 1 January 2002, affected issuers by replacing the issuer's duty to publish an announcement of admission to the Main and Secondary markets in a nationwide daily newspaper with a duty to publish the announcement on the Exchange's

internet pages. A further change to the Exchange Regulations allowed shortening of the time-limit for a decision on the admission of an issue of bonds maturing in less than a year, so-called "short-term bonds", individual issues of a bond programme or individual tranches of issues already traded on the Exchange to 15 days after the day of delivery of their application for admission.

The 2000 Tariff of Exchange Fees was revised to include a reduction of the fee for admission of securities to the Free market from CZK 30,000 to CZK 5,000.

### Numbers of securities

#### Securities traded as at 31 December 2001

	Shares and units	Bonds
Main market	5	28
Secondary market	48	14
New market	0	-
Free market	49	42

#### Securities launched on Exchange markets in 2001

Effective date	Title of security	Type <sup>1)</sup>
Main market		
26 January	ST. DLUHOP. 6,95/16	SB
14 September	ST. DLUHOP. 6,05/04	SB
5 October	ST. DLUHOP. 6,55/11	SB
26 October	ST. DLUHOP. 5,70/06	SB
Secondary market		
15 May	HL. M. PRAHA 6,85/11	MB
15 May	HL. M. PRAHA VAR/11	MB
16 July	Č. POJIŠŤOVNA VAR/06	CB
30 July	ČP LEASING VAR/05*	CB
22 November	CREST VAR/05	CB
Free market		
3 May	HZL RBCZ 7,50/06	MDB
23 August	METALIMEX	S
29 November	CPI VAR/06	CB
21 December	TEPLÁRNA PÍSEK **	S

<sup>1)</sup> S = share, CB = corporate bond, MB = municipal bond, SB = state bond, MDB = mortgage debenture bond

\* The issue was transferred from the Free market.

\*\* The issue was transferred from the Secondary market.

## TRADING

Trading on the PSE saw no substantial changes as against the previous year. There were 250 trading days, during which no major technical problems were encountered.

Trades on the Exchange's prompt market could be closed and registered within the framework of the following types of trades:

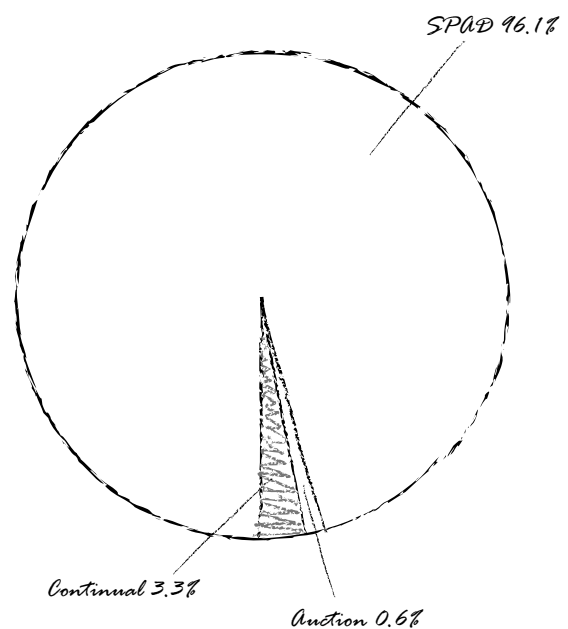
- the System Supporting Share and Bond Market (SPAD)
- automated trades - auction - closed auction  
- opened auction  
- continual
- block trades

As required by the amended Securities Act, units of open-end unit trusts are no longer regarded as investment securities and the Exchange therefore stopped acting as an intermediary for open-end unit trust primary issues and redemptions as at 24 October.

### Projects

During 2001, a project was prepared with the main aim of simplifying trading. The project was launched on 2 January 2002 and its main contribution has been to simplify the scheduling of the Exchange day and substantially reduce the number of trading groups. Since the beginning of 2002, the original six trading groups into which securities were classified have been reduced to three.

*Breakdown of CM trades in 2001  
shares + units*



### Trading groups w.e.f. 2 January 2002

Trading group	Method of trading	Classified issues
1	- automated trades (auction and continual) - block trades	all book-entered securities, except SPAD-traded issues
2	- automated trades (auction) - block trades	all certificated securities
3	- SPAD - trades (auction and continual) - block trades (over-the-limit)	SPAD-classified securities

During the first half of 2001, the Exchange prepared changes to the trading system in response to Public Notice No. 105/2001 Coll. on the reporting of trades in investment instruments closed outside the public market. Further to these changes, a new service was prepared for Exchange members. Since 1 April 2002, they have been able to register trades concluded with a counterparty which is not a member of the Exchange.

Another important change was restructuring of the price list, including information on trading results. The restructured list was available to Exchange members and other Exchange information subscribers for testing from 1 October 2001, along with existing files of price list. Publication of the Exchange's official price list and other trading results in the new form began on 2 January 2002.

### Legislation

During 2001, the Exchange Chamber approved the more extensive amendments yet to the parts of the Exchange Regulations dealing with trading. The changes, which came into force on 1 July 2001, bring its regulation of trading and settlement into line with the amended Securities and Stock Exchange Acts. Another change to the Exchange Regulations, introduced in response to Public Notice No. 105/2001 Coll. on the reporting of trades in investment instruments closed outside of the public market, was approved by the Exchange Chamber in January 2002. This amendment to the Exchange Regulations came into force on 1 April 2002. Amongst other things, it led to the launching of a new service - block trades between an Exchange member and non-member closed outside of the Exchange and subsequently registered in the Exchange automated trading system.

### Exchange indices

On 11 December 2001, the Exchange Trades Committee approved changes to the Principles Governing Updating of the PX 50 Index Base. The following important changes were made:

1. The number of issues in the base can vary, but it must not exceed 50.
2. Non-fund SPAD share issues are automatically included in the base. Other non-fund share issues can only be included in the base if their share of total market capitalisation and the share of total value of trades of all non-fund share issues not traded in SPAD simultaneously reach levels fixed by the Commission for Exchange Index Administration.
3. Issues withdrawn from the index base outside the dates prescribed for periodical updating will not be replaced.

After the updating carried out on 2 January 2002, the PX 50 index base consisted of 37 issues.

In 2001, there was a change in the number of issues in the PX-D index base, which includes only SPAD-traded issues. W.e.f. December 27, as part of the periodical updating, the PHILIP MORRIS ČR issue was added to the original six issues included in the base (ČESKÁ SPOŘITELNA, ČESKÉ RADIOKOMUNIKACE, ČESKÝ TELECOM, KOMERČNÍ BANKA and UNIPETROL). At the beginning of 2002, the base thus consisted of seven issues, whose share of the total value of trades in 2001 was over 97%.

There was a further fall in the number of sector indices in 2001. On September 25, the BI17 index (Jewelry, Glass, Pottery and China) was closed down because of the insufficient number of base issues. On December 21, the BI09 index (Metallurgy, Metal Products) was closed down for the same reason. At the beginning of 2002, the Exchange operated 14 sector indices.

### Evaluation of the 2001 trading results

The total annual value of trades reached the record figure of CZK 1,987.2 billion, an increase of 62.5% on 2000. The average total daily value of trades (CZK 7.949 billion) rose year-on-year by 61.9%. The second half of the year was the more successful, with securities worth CZK 1,091.6 billion traded, 54.9% of the total for the year as a whole. In November the value of trades reached a record daily level with the value of trades climbing to CZK 27.3 billion on November 9. The total monthly value of trades (CZK 303.1 billion) for November for the first time passed the CZK 300 billion mark. While the annual value of trades on the bond market at CZK 1,858.4 billion rose year-on-year by 93.8%, the value of shares and units traded (CZK 128.8 billion) fell by 51.2%. Shares and units accounted for a lower share of the total value - 6.5% in 2001 as against 21.6% in 2000.

### The share and unit market

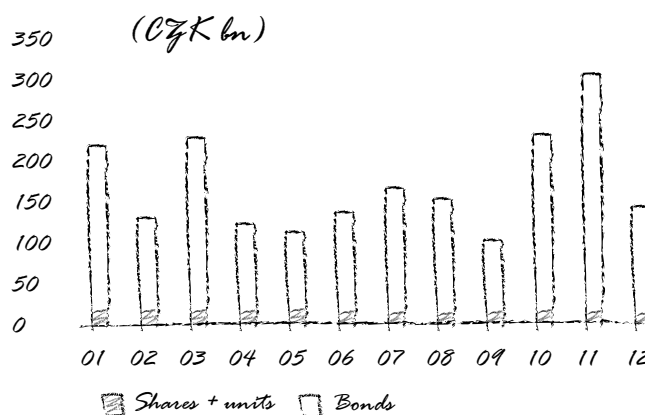
The total value of trades for the year reached CZK 128.8 billion, 51.2% lower than the record CZK 264.1 billion achieved in the year of 2000. The value of trades concluded on the central market fell by 51.6% year-on-year to CZK 118.9 billion, while its share of the total value was 92.3%. SPAD trading accounted for 96.1% of the value of trades concluded on the Central market. The Exchange's official PX 50 index finished the year at 394.6 points, a year-on-year fall of 17.5%. The PX-D index fell year-on-year by 22.0%. The global PX-GLOB also fell 13.6%. Prices in the Transport, Communications sector, which has the biggest influence on the cross-section indices, fell by 39%. Of the sectors important from the capitalisation point of view, Finance and Banking improved by 18.0% and Beverages and Tobacco Production by 33.25%. This contrasted with falls of 15.8% in the Energy index and 23.5% in the Chemicals Industry index.

At the end of 2001, market capitalisation stood at CZK 340.3 billion, 23.2% down on the previous year. The number of share and unit issues fell from 151 (at 29 December 2000) to 102 (at 28 December 2001).

### Bond market

At CZK 1,858.4 billion, the total value of bonds traded in 2001 was a record, with state bonds accounting for 72.7% of the market, corporate bonds 13.3% and banking bonds 12.4%. Mortgage debenture bonds accounted for 1.1% and municipal bonds for 0.5% of the total annual value of bonds traded. Market capitalisation rose by 14.0% year-on-year from CZK 280.1 billion at the end of 2000 to CZK 319.4 billion at 28 December 2001.

### Monthly trades in 2001 – shares + units and bonds



### Settlement

The PSE subsidiary UNIVYC, a.s. is authorised to settle trades closed on the Exchange.

During 2001, Univyc sent close to 180,000 payment orders to the Czech National Bank's Clearing Centre, representing settlement of transactions worth CZK 3,559 billion, a 56% increase on the previous year. Settlement of trades concluded on the Exchange accounted for CZK 1,187 billion of this figure and off-Exchange transactions for CZK 2,372 billion. Funds transferred by Univyc represented 99.35% of the total value of securities transactions settled on the Czech capital market.

As in previous years, Univyc managed Exchange members' funds concentrated in the Exchange's Guarantee Fund, which included the Automated Trades Guarantee Fund, the SPAD Guarantee Fund, market makers' guarantee funds and guarantee funds for securities lent as collateral. During the year, the daily balances of both funds were reduced and their yields fell. The reason was a decline by a third in the Exchange's Guarantee Fund Association membership combined with lower interest rates.

## THE PSE'S ACTIVITIES IN 2001

During 2001, Univyc settled four primary bond issues worth a total of CZK 11 billion. It also arranged payment of the yields from 12 issues of certificated securities which it had again deposited with Komerční banka a.s., its contractual depository. Univyc was also the first subject on the capital market to register for and arrange settlement of off-exchange trades in the 34th issue of state bonds with separate principal and 15 separate coupons. It also arranged the transfer of securities and funds from the privatisation of Pražské vodovody and kanalizace a.s., Česká pojišťovna a.s. and Komerční banka, a.s.

During the year, Univyc gave major support to its development activities. Its Development Department continued to work on a number of projects that had already been started, and it also prepared some completely new products. Since the beginning of 2001, traders have been able to use securities as pledge in the SPAD system or during automated trading, as provided for in the amended Securities Act. Securities with restricted transferability can be transferred on the basis of a power of attorney signed by the issuer.

In May, following the Ministry of Finance's issue of Public Notice No. 105/2001, Univyc was authorised by its members to begin reporting settlement of off-Exchange transactions to the Securities Commission. At the beginning of 2002, the reporting system was further extended by the introduction of more detailed classification of the types of settled trades and transactions. Further to these changes, there were also changes in the

Exchange's and Univyc's policy on fees. W.e.f. April 1, fees for trading billed by the Exchange have been separated from the settlement fees billed by Univyc. The fees charged for block and off-Exchange trades were also unified.

Univyc and the PSE for the first time offered settlement of trades concluded in the euro. Settlement in this case is arranged through Univyc's euro account at HVB Bank Czech Republic a.s. During the year, Univyc also established an on-line information link to the Czech National Bank's (CNB) Clearing Centre. Work is continuing on the project's second stage, which includes preparation of a new on-line system for sending and processing payment orders to the CNB's Clearing Centre. Work also continued on preparing for the take-over of part of the Securities Centre's so-called sub-register database. A project and draft contract, including an implementing protocol regulating the requirements for keeping this part of the records, were drawn up. An amendment to the Bonds Act allowed Univyc and the Exchange to prepare a project for keeping a register of the collective (jumbo) bond shares and settlements of Exchange and off-Exchange collective bond trades. Univyc, authorised by the issuer or the issue's administrator will keep a register of the final owners of these bonds.

In December 2001, the Securities Commission awarded Univyc a licence allowing it to settle derivatives trades. It allows the company to settle futures contracts based on share indices, interest rates and state bonds.

### Value of trades in 2001 by type of market and security

		Bonds		Shares		Units		Total	
		Value (CZK bn)	No. of units (000)	Value (CZK bn)	No. of units (000)	Value (CZK bn)	No. of units (000)	Value (CZK bn)	No. of units (000)
Main market	CT	0.006	1	102.864	492,120	0.000	0	102.871	492,121
	BT	1,641.875	153,888	6.964	24,336	0.000	0	1,648.839	178,223
	Total	1,641.881	153,889	109.828	516,456	0.000	0	1,751.709	670,345
Secondary market	CT	0.000	0	11.538	21,962	0.010	17	11.548	21,978
	BT	91.735	1,185	2.676	5,791	0.001	2	94.412	6,978
	Total	91.735	1,185	14.214	27,753	0.011	19	105.960	28,956
Free market	CT	0.000	0	4.438	952	0.034	31	4.472	983
	BT	124.764	8,887	0.274	1,334	0.000	0	125.037	10,221
	Total	124.764	8,887	4.712	2,286	0.034	31	129.509	11,204
Total	CT	0.006	1	118.841	515,034	0.044	48	118.891	515,082
	BT	1,858.373	163,960	9.914	31,461	0.001	2	1,868.288	195,422
	Total	1,858.380	163,960	128.754	546,495	0.045	50	1,987.179	710,505

CT = Central market, BT = Block trades

## INFORMATION AND TRADING SYSTEMS

*The work of the IT Department in 2001 was directed towards further improving the Exchange's technical systems, especially their security and reliability. The department also tackled a whole series of problems related to improving the quality and range of services provided by the Exchange and Univyc for their members and specialist units of the Exchange and Univyc.*



MIROSLAV PROKEŠ, Director of the IT Department

Communication links between the Exchange and its members and members of Univyc and the information agencies underwent a major technological shift in 2001. The changeover from the SNA to the TCP/IP system was completed. This demanding project was tackled in two stages. In the first stage the use of routers and WAN-type network links as a method of communication was unified and IPSec security technology installed. The second stage consisted of a fundamental change in the software used for communications between the Exchange and its partners. The switch to the TCP/IP system mainly helped by simplifying communications and increasing their reliability through the introduction of new methods of protecting the system. It also allowed the use of modern internet technology - for example, WWW and FTP servers - which made it easier to communicate with members and created suitable conditions for further development of the communications system.

During the year, more technical measures were taken to ensure that the PSE's vital internal information systems had the necessary back-up and were archived. At the end of the year, the IT Department moved its entire back-up unit to a new location, where it continues to maintain the technical infrastructure necessary for the Exchange and Univyc to be able to carry on their basic trading activities in the event of an emergency.

In order to improve internal security and cooperation, in May the Exchange introduced a new system underpinning its basic activities in the area of communications and exchange of information: electronic mail, the common directory, the calendar, tasks and database support for applications, including digital

signature, coding, full text support, long-distance access and other services. The system is designed as a basic resource for work with documents in the form of text, tables, pictures, electronic mail and www pages. It will also be used for other applications supporting the organisation's internal procedures - for example, an electronic registry, a document administration system, etc.

From the point of view of security and the protection of internal systems, considerable attention has been paid to improving the quality of the Exchange's internet link, including the introduction of state-of-the-art security technology and architecture of the demilitarised zone and firewall type. The demand for increased reliability and uninterrupted access to information systems for the expert and lay public was met with the help of the www server's procedural and technical back-up. Introduction of the best anti-virus system, which enables checks and searches to be carried out and viruses destroyed at several levels of the technical infrastructure, provided increased security against attack from outside. The emphasis on protecting the Exchange's system against viruses was justified since, despite the quantitative increase in virus technology, the Exchange's systems and activities have not been disrupted in any way whatsoever in recent years.

Work on inspection software continued as part of the support given to the Exchange's specialist units. During 2001, the third stage of the project was finished, so that members can now transmit the trader's day book to the Exchange electronically. The Inspection Department then carries out checks which automatically compare the Exchange's records with those of the trader and search for and, where necessary, evaluate any breaches of laws or the Exchange rules by Exchange members.

The most important project in 2001 was the unification of databases, which was linked to changes in the Exchange's information output and related to individual systems. The project's basic aim was to centralise the trading, statistical and other data prepared and disseminated by the Exchange in a technologically homogeneous database which would allow simplification of the system of preparing and disseminating information. Changes in the way information is stored also affected the organisation of the disseminated data. For example, information on the price list was separated from other more detailed information on trading and securities. There were also extensive changes to the information available on the

Exchange's internet pages, the statistical output and user applications of the internal information system. The project's main contribution was to improve the security of the Exchange's processing operations, make Exchange information more transparent and unify the organisation of information, including information for the prepared derivatives market. A unified database structure creates optimal conditions for developing other sophisticated user applications.

In connection with the issue of Public Notice No. 105/2001 Coll. on the reporting of trades in investment instruments concluded outside the public market, analytical and programming work was done to ensure that the Notice's requirements were met and the data interface and software of the Exchange, Exchange members and Univyc adjusted. A new function was created - transmission of settlement - which was a response to the Public Notice's requirements and, at the same time, allowed greater transparency and simplification of the settlement process. Tests with software firms began in December 2001 and the new function was introduced on 1 April 2002.

In cooperation with Univyc, a project was prepared and implemented which enables a register of collective bonds to be kept and linked to trading and settlement of trades in these collective bonds. A unique feature of this project is that it allows direct settlement through accounts kept by the final owners at Univyc. The project was also designed to allow trading in foreign securities and, where necessary, the keeping of separate parts of the Securities Centre records in compliance with the Securities Act.

In the second half of the year, the IT Department collaborated with Univyc on preparing settlement of trades and transactions in T+0 time. The project was divided into two stages. 1 January 2002 saw the launch of the part allowing settlement in T+0 of transactions where Univyc settles only securities. Settlements in T+0 for transactions where Univyc arranges both securities and cash settlement began on 1 April 2002.

During the year, the IT Department cooperated with the Derivatives Department and Univyc on further improving the system for trading and settlement of trades in derivatives. This included work on the completion and testing of new function related to the prepared opening of trading.

## INSPECTION ACTIVITIES

*The standing and focus of inspection work in 2001 was based on the fact that the Exchange's development depends on further consolidation of its reputation as a place where it is safe to trade in securities and where priority is given to protecting the interests of the investors. Inspection of Exchange members is at present based on analytical monitoring and related inquiries and, where necessary, operational inspections. The aim of inspection is to seek out and investigate possible breaches of the Exchange Regulations, the Securities Act and the Stock Exchange Act. The conduct of member companies across the whole range of their activities is investigated through regular in-depth inspections. Inspection work is considerably helped by software which gives inspectors direct access to all relevant data on trading and includes selected applications indicating breaches of the regulations. The priority in inspection work is the prompt uncovering of breaches of the regulations and minimising their harmful consequences and, with the assistance of members, pinpointing the causes of the breaches, so that appropriate measures can be taken to rectify shortcomings.*



VLADIMÍR SKALNÝ, Director of the Inspection Department

In 2001, the Inspection Department carried out 11 in-depth, 12 repeat and 41 operational inspections, in which it investigated around 1,200 trades where breaches of regulations were suspected. The Department also made inquiries concerning another 700 trades and conducted an internal analysis of more than 7,000 trades where breaches of the regulations were suspected. Based on its findings, the Department initiated administrative proceedings which led to the imposition of 27 sanctions.

### Sanctions imposed on Exchange members during 2001

Type of sanction	No. of sanctions
Reprimand	8
Fine	18
Announcement of an Exchange member's breach of duty to other participants in Exchange trading	1



Sanctions were most frequently imposed for breaches of the Exchange Membership Regulations (15 sanctions), the Rules for Keeping Records of Instructions, Transactions and Securities, Other Investment Instruments Which Are Not Securities or Other Capital Market Instruments (10 sanctions) and the Trading Rules (10 sanctions).

2001 saw completion of the 3rd stage of the development of inspection software to further improve the methods and procedures used in inspection work. Among other things, the 3rd stage includes automated processing of data on customers' instructions and the evaluation of certain aspects of the observance of professional care. The Department's expertise has thus gradually shifted from manual searches for possible breaches of the regulations to investigation of electronically-selected specific trades. The development of inspection software allows the department to react flexibly to unusual situations and to question members without delay after suspicion has been aroused. This has led to the department having greater direct contact with members and strengthening of the department's preventive role.

The greater effectiveness of inspection work, together with continual analysis of the members' trading activities and direct contact with members, has had a positive influence on the conduct of members, especially in their exercise of professional care and observance of the trading rules, where the number of established breaches of regulations has steadily fallen, particularly in relation to the number of trades monitored.

To increase security of trading on the Exchange and reduce the risks associated with non-fulfillment of commitments resulting from the concluding of Exchange trades, stricter requirements were introduced for the right to buy and sell securities in the part of the Exchange Regulations containing the Membership Regulations. This relates in particular to maintaining the stability of assets, ensuring that the Guarantee Fund is maintained at the required level and the performance of duties relating to the settlement and clearance of trades. Based on the changes made to the itemised composition of the trader's day-book under the amended Securities Act, and to further strengthen software support for inspection work, new Rules for the Keeping of Records of Instructions and Members' Trades were approved. Among other things, the changes allow members to transmit data to the Exchange by using the services of the automated trading system's data interface.

In 2002, the Inspection Department is planning further development of its software support, especially as this relates to derivatives supervision. The priority in its routine work will be to uphold the Exchange's principles of conduct towards clients and the relevant prerequisites for trading. Failure to fulfil these requirements could jeopardise the settlement of trades or the work of the Exchange's other members.

### **Membership**

During 2001, 11 companies terminated their Exchange membership. 8 companies themselves decided to terminate their membership, while the membership of two other companies was terminated because they failed to meet the requirements for membership. The membership of one company was transferred to another legal entity. The total number of members was reduced from 44 at 1 January 2001 to 35 at 31 December 2001. The Exchange began 2002 with 34 members.

#### **Terminations of Exchange membership during 2001**

June 1	KOMERIO, brokerský dům Konečný, a.s. (brokerage house)
July 16	IP banka, a.s. (membership terminated following a Securities Commission decision to withdraw its securities trading permit)
August 13	Bradley, Rosenblatt & Company, a.s. (membership ceased under the Exchange Regulations)
August 31	Credit Suisse First Boston Praha a.s.
September 20	HypoVereinsbank CZ a.s. (on this date the company became a member of UNIVYC, a.s.)
September 30	OFT BROKERS spol. s r.o.
October 31	Charles Bridge Securities, a.s.
October 31	CAUTUS FINANCE, a.s.
December 14	eBanka, a.s.
December 31	Harvardská burzovní společnost, a.s.

#### **Transfer of membership**

October 1	the membership of Raiffeisen Capital and Investment Praha, s.r.o. was assigned to Raiffeisenbank, a.s.
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### INFORMATION AND PR POLICY

*In its work with the general investing public at home and abroad, the PSE aimed at a maximum increase in information openness, especially through the medium of its web pages. It regards these as a more convenient and also economical form of PR and marketing than the traditional methods. The PSE's internet pages - the general investing public's most popular source of information about the Exchange - continued to grow in importance last year.*

*The PSE's information policy stresses the importance of providing the market with prompt and accurate information, and it also supported all activities aimed at enhancing the quality of the information provided. The PSE supplied information about its major activities in press releases including regular statistical trading summaries. There was increased interest in 2001 in the contractual supply of Exchange information, especially in the information disseminated in real time.*

*The PSE's marketing activities took the form mainly of educational activities co-sponsored also by the Securities Commission and other market participants. It was itself the chief organiser of an international conference on the topical issue of relations with investors.*

*Following the Exchange's reorganisation, the Service Department has been responsible for marketing and PR since 1 November 2001.*



VLADIMÍR EZR, Director of the Service Department

### Exchange information

The PSE regularly informs the media about all activities related to trading, admission and exclusion of securities and membership issues. Apart from the more than 70 press releases issued by the PSE last year, it provides financial journalists with statistical summaries of the results of trading at weekly, monthly, quarterly, half-yearly and annual intervals. Its press releases are now newly accessible on the Exchange internet pages.

Apart from its annual reports and factbooks, the PSE's publishing activities have included the preparation of An Investor's Guide intended for the general investing public.

The PSE also enlarged the information and statistical section of its internet pages, which provide visitors with a comprehensive overview of all its activities. In connection with preparations to reorganise the dissemination of Exchange information at the end of the trading day, information provided on trading results and securities was expanded and the statistics on partial data and statistical files for downloading were also completed. The number of visits, which rose against the previous year, confirms the interest in the Exchange's internet pages. The most successful month was March, when the number of visits rose to almost 30,000 against the monthly average of 26,000.

The number of professionals subscribing to Exchange information rose only modestly, but the number of clients subscribing to real-time Exchange information continued to grow. On 2 January 2002, the Exchange reorganised its trading results subscription service and this helped by making the information better structured, separating information on trading from information on securities and unifying the structure of the prompt and prepared derivatives markets. In the case of directly-linked information agencies, the PSE completed the changeover of Exchange applications from the SNA protocol to the TCP/IP communications protocol, which resulted in unification of the links of members and the information agencies to the Exchange information system.

## Marketing activities

The Exchange's most significant educational activity in 2001 was an all-day conference called "Effective Investor Relations". The Exchange organised it on December 5 at Prague's Hotel Marriott in conjunction with the Partners for Financial Stability programme and representatives of the US AID programme. The addresses given by prominent domestic and foreign experts dealt with topical themes related to publishing information, meeting the information requirements of investors and relations with investors. The closing discussion on the subject of "Effective Investor Relations as a Requirement for Capital Growth" showed the interest in this issue and the necessity of tackling it as part of the Company's all-round strategy.

The PSE also played an active part as a partner in preparing a series of seminars on capital market issues called "An A to Z of the Capital Market", which was organised during May and June by Aspekt Kilcullen (since 1 January 2002, the ASPEKT Central Europe Group). Together with the Prague University of Economics' Banking and Insurance Department, the Exchange also prepared a course for brokers. The two-module course was organised as a series of two-day events in the period from September 21 to October 19, with PSE and Univyc representatives lecturing on issues related to trading and settlement. The course's aim was to equip staff from brokerage houses, banks, investment companies and pension funds with the knowledge they need to pass the broker's examination.

The PSE ball, co-organised for the third time with the Aspekt Kilcullen company, was held on March 23. The accompanying programme included announcement of the winner of the annual "Most Open Information Company" award - Paegas Signum Temporis. Since 1996 the prestigious financial prize has been awarded to the publicly tradable joint-stock company which provides the best quality and most timely information about its economic activities and results.

## Foreign relations

The PSE's efforts to become an associate member of the Federation of European Stock Exchanges (FESE) met with success in 2001, and at the FESE's General Meeting in Paris on June 14 it was accepted as an associate member. When the Czech Republic joins the European Union this will be changed to ordinary membership.

The regular meeting of representatives of the five central European stock exchanges held in Warsaw on April 20 discussed

the next steps in their mutual cooperation. Information was exchanged on the process of harmonising the individual markets before EU accession. One of the other main topics discussed was possible cooperation in the area of technological procedures relating to the supervision of trading, listing and membership criteria, publication of exchange information and new products and services. PSE representatives also took part in two regular meetings of the CESI Committee, where the principal task was to update the base of the CESI index for the following half-year. The first meeting was held in Ljubljana, while the PSE organised the Committee's autumn meeting in Prague on October 8. During the year, there were several meetings between PSE representatives and representatives of major west European stock exchanges about possible links with Europe's unifying capital markets.

## Personnel policy

The Exchange's personnel work continued in the spirit of the previous year. It further developed the language skills of its staff by providing language courses. It organised more local courses and seminars aimed at raising the level of its staff's qualifications. It also contributed financially to the individual health care of employees and continued to provide them with opportunities to take part in sport. A new feature was the introduction of a supplementary pension and life insurance scheme supported by the employer.

### PREPARATIONS FOR THE DERIVATIVES MARKET

From the point of view of taking the steps necessary to enable the opening of organised trading in derivatives, 2001 was regarded as a turning point for the Exchange. The steps taken mainly involved acquiring a licence for organising the supply of and demand for these trades and their settlement, increasing the regularity of trading and, last but not least, choosing suitable products and improving the trading system.

During March applications for licences were committed to the Securities Commission in which the Exchange and Univyc demonstrated that they had met the organisational, objective, technical and staffing requirements necessary for a problem-free launch of the derivatives market. On August 2 the Securities Commission's Presidium therefore awarded the Exchange a licence to organise trading in selected derivative market instruments. Univyc was awarded a licence to settle derivatives contracts on December 10. Both licences apply to futures contracts derived from the values of share indices, interest rates and state bonds.

The Czech capital market is influenced to a large extent by trends on the world market. The PSE is also inspired by west European markets and prepared a new product for would-be investors - futures on underlying bond basket. One of the factors which led to this choice was the fact that in the Czech Republic bonds are the most liquid securities with a daily value of trades worth several billion Czech crowns.

Preparing this product required a whole series of additional changes to the trading system, including expanded information flows between the Exchange and member companies. The changes, as well as the overall readiness of the trading and settlement software, were tested at the Exchange at the end of the year. They involved not only the technical aspects of the project, but also certain provisions of the Exchange Regulations. The proposed changes to these mainly relate to the regulation of supervision of the trading and emphasise the importance of risk management and the Exchange's own principles of trading and settlement of bond futures.

The Exchange's work was not however confined to its internal activities. Its staff also played a major role in preparing brokers' examinations for future derivatives traders. In cooperation with the Securities Commission, it chose a range of subjects and questions for these examinations. The Securities Commission and the Exchange also supplied lecturers for seminars organised by well-known educational agencies.

Further progress in the derivatives market preparation in the Czech Republic depends on the interest and preparedness of Exchange members to make use of this new service.

# The Exchange

## Bodies

### THE EXCHANGE CHAMBER

The Exchange Chamber is the statutory body which directs the PSE's work and acts in its name. As required by its plan of activity, the Exchange Chamber met at a total of 12 ordinary and extraordinary meetings during 2001.

#### Composition of the Exchange Chamber until 31 May 2001 (until the Ordinary General Meeting of the Prague Stock Exchange)

##### Chairman:

George Jedlička, PricewaterhouseCoopers Česká republika, s.r.o.

##### Vice-Chairman:

Dušan Baran, Česká spořitelna, a.s. - shareholder representative

##### Members:

Zdeněk Bakala, Patria Finance, a.s.  
Jan Blaško, Česká pojišťovna, a.s. - shareholder representative  
Petr Bodnár, BODY INTERNATIONAL BROKERS a.s. - shareholder representative  
Miroslav Fučík, Union banka, a.s. - shareholder representative  
Pavel Hollmann, Prague Stock Exchange  
Věslav Michalík, CSC., CA IB Securities, a.s. - shareholder representative  
Jan Sýkora, MBA, Wood & Company, s.r.o. - shareholder representative  
Tomáš Ševčík, Harvardská burzovní společnost, a.s. - shareholder representative  
Radovan Vávra, Komerční banka, a.s. - shareholder representative  
Jan Vinter, Všeobecná úverová banka, a.s. - shareholder representative  
Petra Wendelová, CSC., ERNST & YOUNG s.r.o.

#### Composition of the Exchange Chamber since 31 May 2001

##### Chairman:

##### George Jedlička

PricewaterhouseCoopers Česká republika, s.r.o.

Date of birth: 13 January 1951  
Education: St. John's University  
Post: Director of FAS (Financial Advisory Services) until 28 February 2002  
*As at 8 March 2002 Mr Jedlička resigned from the Exchange Chamber and the post of Chairman of the Exchange Chamber.*

##### Vice-Chairman:

##### Dušan Baran

Česká spořitelna, a.s. - shareholder representative  
Date of birth: 6 April 1965  
Education: Faculty of Mathematics and Physics, Charles University, GSBC University of Colorado  
Current Post: Vice-Chairman of the Board of Directors and Financial Director  
*On 4 April 2002 Mr Baran was elected Chairman of the Exchange Chamber.*

##### Members:

##### Zdeněk Bakala

Patria Finance, a.s.  
Date of birth: 7 February 1961  
Education: University of California, Amos Tuck School of Business Administration (MBA title)  
Post: Managing Director until 31 January 2002  
*As at 8 March 2002 Mr. Bakala resigned from the Exchange Chamber.*

**Michael Jasanský**, member of the Patria Finance, a.s. Board of Directors was appointed a new member of the Exchange Chamber and on 4 April 2002 elected its Vice-Chairman.

##### Jan Blaško

Česká pojišťovna, a.s. - shareholder representative  
Date of birth: 19 August 1964  
Education: Graduate School of Business, The University of Chicago  
Current post: executive member of the Board of Directors

##### Petr Bodnár

BODY INTERNATIONAL BROKERS a.s. - shareholder representative  
Date of birth: 12 September 1954  
Education: University of Economics  
Current post: Chairman of the Board of Directors

##### Pavel Hollmann

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

##### Tomas Spurny

(since 14 November 2002)  
Komerční banka, a.s. - shareholder representative  
Date of birth: 16 April 1965  
Education: Stern School of Business, New York University, Columbia Business School, Columbia University, NY  
Post: member of the Board of Directors until 30 April 2002  
*As at 29 May, Mr Spurny resigned from the Exchange Chamber.*

##### Jan Sýkora

Wood & Company, s.r.o. (as at 1 February 2002 the name and legal form of the company was changed to WOOD Company Financial Services, a.s.) - shareholder representative  
Date of birth: 18 January 1972  
Education: University of Economics, Rochester Institute of Technology  
Post: Authorised representative and Managing Director (until 31 January 2002), since 1 February 2002 Chairman of the Board of Directors and Managing Director

##### Tomáš Ševčík

Harvardská burzovní společnost, a.s. - shareholder representative  
Date of birth: 3 February 1969  
Education: University of Economics  
Current post: Chairman of the Board of Directors and Managing Director

**Radovan Vávra** (resigned from the Exchange Chamber as at 5 October 2001)  
Komerční banka, a.s. - shareholder representative

### **Jan Vinter**

Všeobecná úverová banka, a.s.  
Date of birth: 11 March 1940  
Education: Law Faculty of Charles University  
Post: Director of the Prague branch until 31 December 2001

## SUPERVISORY BOARD

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

### **Composition of the Supervisory Board until 31 May 2001 (until the Ordinary General Meeting of the Prague Stock Exchange)**

#### **Chairman:**

František Vejmla

#### **Members:**

Jiří Klumpar, GE Capital Bank, a.s.  
Lumír Nováček, Investiční společnost Union, a.s.  
Radko Resch, Harvardská burzovní společnost, a.s.  
Jan Struž, ING Bank N.V.

### **Composition of the Supervisory Board since 31 May 2001**

#### **Chairman:**

#### **Věslav Michalík**

CA IB Securities, a.s. - shareholder representative  
Date of birth: 1 March 1963  
Education: Faculty of Nuclear Physics, Czech Technical University  
Current post: Chairman of the Board of Directors

#### **Members:**

#### **Martin Aschenbrenner**

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

### **Miroslav Fučík**

Union banka, a.s. - shareholder representative  
Date of birth: 27 April 1954  
Education: Mining University, Ostrava  
Current post: Vice-Chairman of the Board of Directors, Deputy Managing Director

### **Jiří Klumpar**

GE Capital Bank, a.s.  
Date of birth: 9 May 1956  
Education: Faculty of Nuclear Physics, Czech Technical University  
Current post: Senior Director, Compliance Division, member of the Board of Directors

### **Jan Struž**

ING Bank N.V.  
Date of birth: 5 May 1949  
Education: University of Economics  
Current post: Chief Executive Officer

### **Petra Wendelová**

ERNST & YOUNG s.r.o.  
Date of birth: 3 June 1962  
Education: University of Economics  
Current post: Corporate Finance Partner

## GENERAL SECRETARY

### **Pavel Hollmann**

## EXCHANGE COMMITTEES

### **The Exchange Membership Committee**

#### **Chairman:**

Jan Blaško  
PPF burzovní společnost a.s.

#### **Vice-Chairman:**

Aleš Tříška  
INVESTKONZULT, a.s.

#### **Secretary:**

Josef Marek  
Prague Stock Exchange

The Exchange Membership Committee met eleven times in 2001. The Committee's main aim was to increase the transparency of trading, support the Exchange's analytical inspection activity for protecting investors and increase the demands made on member companies. Its work with the Inspection Department led to the elimination of isolated delays in fulfilling trading commitments and a significant improvement in the Exchange members' observation of their disclosure duties. The capital adequacy, equity and cash liquidity requirements were constantly monitored. The Committee also reviewed the fulfillment of membership duties like payment of membership contributions and meeting the general requirements of membership with the aim of ensuring that commitments undertaken as a result of the concluded trades were properly fulfilled.

Over half of the Committee's meetings discussed proposed changes to the Exchange rules and assessed their practical impact. The Committee evaluated a total of eight proposals for changes to the Exchange Regulations based on amendments to capital market legislation and other changes in the membership requirements and inspection activities.

In 2001, the Committee's work was extended to include for the first time discussion of the imposition of sanctions in administrative proceedings. This time-consuming work led to the opening of 25 administrative proceedings, in which rulings were issued in 22 cases and oral proceedings were opened in three cases. One party to proceedings appealed to a higher body.

The Inspection Department submitted the results of 52 inspections carried out on Exchange members to the Committee. More serious breaches of the Exchange Regulations were referred to the Exchange Chamber along with a recommendation that administrative proceedings be opened and sanctions imposed where necessary. Based on the Committee's proposals, the Exchange Chamber imposed a total of

27 sanctions in administrative proceedings involving breaches of the Exchange Regulations and rules. The Committee also discussed the membership and shareholder structures. It noted that 11 companies had terminated their Exchange membership. Raiffesbank a.s. became a new shareholder and Exchange member. The Committee also discussed five transfers of Exchange shares. The biggest Exchange shareholder at 31 December 2001 was Československá obchodní banka a.s. with 16.6% of the registered capital. Altogether 1.43% of Exchange shares changed hands.

### The Exchange Trades Committee

**Chairman:**

Jan Sýkora  
Wood & Company, s.r.o. (since 1 February 2002 - WOOD & Company Financial Services a.s.)

**Vice-Chairman and Secretary:**

Jiří Opletal, Prague Stock Exchange

During 2001, the Committee met whenever the needs of the market required. A regular item on its agenda was information on the previous period's trading results. In the first months of 2001, the Committee concerned itself especially with changes to the Exchange rules governing derivatives trading and settlement, in which it was necessary to incorporate the changes required by amendments to acts. Changes to the rules preceded submission of an application for extension of the Exchange's licence to organise trading in futures and options.

During May, the Committee discussed an extensive amendment to the Exchange Regulations, especially the section regulating trading and settlement, required by an amendment to the Securities Act. The Committee also discussed the fixing of standard requirements for SPAD trading and changes to the principles for updating the bases of PX-D and PX 50 indices. In the second half of the year, the Committee discussed changes to the Exchange Guarantee Fund, the

hedging of risks attached to settlement of bond trades denominated in the euro, simplification of Exchange trading and further amendments to the Exchange rules governing trading and settlement of trades required by Public Notice No. 105/2001 Coll.

The Committee recommended the Exchange Chamber to approve draft rules governing trading and settlement and a proposal to simplify trading on the Exchange.

### The Exchange Listing Committee

**Chairman:**

George Jedlička  
PricewaterhouseCoopers Česká republika, s.r.o. (until 8 March 2002)  
Pavel Hollmann, Prague Stock Exchange (since 4 April 2002)

**Vice-Chairmen:**

Pavel Makovec, EPIC Securities, a.s.  
Petr Šobotník,  
PricewaterhouseCoopers, s.r.o.

**Secretary:**

Eva Štrupová, Prague Stock Exchange

The Exchange Listing Committee met regularly once a month and at three extraordinary meetings. The main items discussed by the Committee were changes to the Exchange Regulations sections on Requirements for Admission of a Security to Trading at the Exchange, which had to be amended in light of amendments to legislation regulating the capital market.

Incorporated into the Exchange Regulations were the new legal concepts of registration for the public market, mandatory administrative proceedings when a security is not admitted to trading at the Exchange, exclusion from trading and sanctions, introduction of a legal requirement that issuers of securities admitted to trading on the Exchange's Free market disclose information and other provisions. After extensive preparatory work, the amended regulations were submitted to the Exchange Chamber, which approved them at its April meeting.

As required by an amendment to the Securities Act, w.e.f. January 2001 competence to decide on applications for admission to trading on the Free market passed to the Listing Committee.

The Committee also discussed and approved applications for the admission of securities to trading. For the first time in the Exchange's history, three bond issues whose nominal value was denominated in the euro were also admitted to trading.

The Committee continued its regular monitoring of observance of their disclosure duties by issuers admitted to trading on the Main and Secondary markets and of observance of the disclosure duties required by the Securities Act by companies traded on the Free market.

## THE EXCHANGE ARBITRATION COURT

The Exchange Arbitration Court (EAC) at the PSE is a standing independent body for adjudication of disputes arising in connection with trades concluded at the PSE. The disputes are usually judged by independent arbitrators as required by the arbitration regulations (Act No. 216/1994 Coll.). In its decision-making and organisational activities, the Exchange Arbitration Court, composed of the Council, persons entered in the List of Arbitrators and the Secretary, is fully independent.

### EAC's Council

**Chairman:**

Václav Školout

**Vice-Chairmen:**

Vladana Vališová

Karel Muzikář

**Members:**

Milan Bakeš

Vít Horáček

Josef Měchura

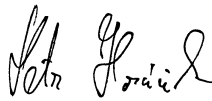
Jaroslav Vansa

# Economic

In 2001 the Exchange continued to reduce operating costs in order to minimise its members' transaction costs and preserve their necessary reproduction and development capacities. The Exchange's 2001 economic result, which was CZK 26.5 million higher than the budget, and the simultaneous reduction of Exchange tariff fees, confirmed that these aims had been achieved. One of the main instruments which the Exchange employed outside of its budget rules was an internal financial management plan adopted in response to the negative trend in income from trading. The Exchange's management adopted the plan in the first half of 2001 and its application to Exchange economy led to a 8.8% reduction in overall costs.

In 2001 the Exchange also succeeded in reducing overdue receivables by 18.9%, while organisational changes released a further 650 sq. metres of floor space at Burzovní Palác (the Exchange Palace) for leasing. The income from this allowed the Exchange to pay off a long-term loan from Česká spořitelna a year early. Currently the Exchange has no other outside sources of credit. In the area of employment policy and staff stability, the Exchange began to make maximum use of the tax benefits available by contributing to employee supplementary pensions and capital life insurance schemes.

From the economic standpoint, the Exchange can be characterised as a financially healthy, prosperous and stable company which is well-placed to achieve its business plans in 2002.



PETR HORÁČEK, Director of the Finance and Administration Department

## Financial results

Income from the Exchange's activities was sufficient to cover the company's operating and investment needs, and so it was not necessary during the year to apply for a loan.

The long-term loan which the Exchange took out with Česká spořitelna in 1995 in order to buy a business share in Holan Center, s.r.o. was repaid within the period scheduled for repayment from own resources, when a further special CZK 16.5 million instalment was paid in October 2001. By the end of 2001 the loan was paid up.

## Structure of assets and liabilities (%)

Year	2001	2000	1999	1998	1997	1996
<b>Assets</b>	100.00	100.00	100.00	100.00	100.00	100.00
Fixed assets	79.31	80.33	84.60	90.06	89.08	85.58
including: tangible and intangible fixed assets	78.44	78.73	82.34	88.34	87.50	83.79
financial investments	0.02	0.02	0.02	0.36	0.34	0.42
long-term receivables	0.85	1.58	2.24	1.36	1.24	1.37
Short-term receivables	3.93	5.35	5.16	4.35	3.77	5.10
including: trade receivables	3.93	4.62	4.86	3.77	3.46	5.09
other receivables	0.00	0.73	0.30	0.58	0.31	0.01
receivables for subscribed capital	0.00	0.00	0.00	0.00	0.00	0.00
Stocks	0.00	0.00	0.00	0.00	0.03	0.03
Financial assets	15.61	13.81	9.77	5.29	6.82	8.94
Temporary accounts	1.15	0.51	0.47	0.30	0.30	0.35
<b>Liabilities</b>	100.00	100.00	100.00	100.00	100.00	100.00
Long-term liabilities	89.64	88.43	90.90	94.23	92.94	92.26
including: own resources	89.64	79.58	74.11	68.51	60.81	63.64
bank loans and assistance	0.00	8.85	16.79	25.39	32.13	28.62
long-term liabilities	0.00	0.00	0.00	0.33	0.00	0.00
Short-term liabilities	5.45	8.53	6.72	3.69	5.67	6.85
Reserves	2.37	1.70	1.25	0.78	0.58	0.57
Temporary accounts	2.54	1.34	1.13	1.30	0.81	0.32



# Results

The company's financial situation and prosperity is shown by the following indicators:

	2001	2000	1999	1998	1997	1996	1995	1994	1993
<b>Return ratios</b>									
Return on total assets	0.041	0.058	0.019	0.023	X	0.017	0.009	0.003	0.023
Return on equity	0.046	0.073	0.025	0.034	X	0.027	0.015	0.004	0.039
Return on registered capital	0.058	0.088	0.029	0.038	X	0.031	0.017	0.004	0.045
Return on liabilities	0.523	0.303	0.075	0.078	X	0.048	0.022	0.071	0.060
<b>Financial stability indicators</b>									
Financial independence	0.896	0.796	0.741	0.685	0.623	0.636	0.591	0.933	0.597
Long-term loans	0.920	0.885	0.922	0.950	0.939	0.997	0.914	0.933	0.597
Interest coverage	7.85	4.98	1.70	1.47	X	1.55	1.29	1.19	-
Insolvency	0	0	0	0	0	0	0	0	0
Total liquidity	3.74	2.43	2.56	2.93	2.29	2.25	1.58	7.45	0.65
Total debt	0.05	0.17	0.23	0.26	0.37	0.35	0.41	0.04	0.39
Increase, or decrease in short-term financial assets	3,854	19,630	24,517	-13,427	-15,367	2,837	9,804	13,628	18,238

**The Prague Stock Exchange's 2001 trading result was a pre-tax profit of CZK 33,548,000.** The Company's tax liability on this result is CZK 12,182,000. There is an additional liability of CZK 33,000 in income tax arrears after the Tax Office carried out a check on tax paid for the period 1997-2000. The provision for deferred tax related to the difference between accounting profit and taxed profit was increased in 2001 by CZK 92,000. The profit for the accounting period (after tax and allowing for deferred tax) totalled CZK 21,241,000. Profit after tax against the 2001 budget projection rose by

CZK 19,272,000. The 2001 result was clearly influenced by the lower costs resulting from cost-cutting measures, which negated the unfavourable trend in income from Exchange trades. Compared with previous years, revenues and yields were down, affected mainly by the continuing fall in revenues from Exchange fees, despite the increase in the volume of trades closed. Exchange fees account for 70% of the Company's total income. Despite lower costs the PSE was able to provide services on the same scale and in the same quality as in previous years and further improve its technology.

Indicator	Budget	Actual figure	Actual figure	Actual figure	Actual figure	Actual figure	Actual figure
	2001	2001	2000	1999	1998	1997	1996
	CZK 000	CZK 000	CZK 000	CZK 000	CZK 000	CZK 000	CZK 000
<b>Profit/loss before tax</b>	<b>7,071</b>	<b>33,548</b>	<b>49,607</b>	<b>19,617</b>	<b>18,265</b>	<b>-21,039</b>	<b>14,392</b>
- from operating activities	12,500	33,582	54,778	32,968	47,922	10,489	29,960
- from financial activities	-5,429	-384	-5,244	-13,057	-32,337	-31,782	-16,042
- from extraordinary activities	0	350	73	-294	2,680	254	474
<b>Income tax</b>	<b>5,102</b>	<b>12,307</b>	<b>17,238</b>	<b>8,669</b>	<b>3,969</b>	<b>4,460</b>	<b>2,328</b>
- due	4,399	12,215	16,612	6,524	2,543	2,242	3,743
- deferred	703	92	626	2,147	1,426	2,218	-1,415
<b>Profit/loss after tax</b>	<b>1,969</b>	<b>21,241</b>	<b>32,369</b>	<b>10,946</b>	<b>14,296</b>	<b>-25,499</b>	<b>12,064</b>

# Financial

## Part

### AUDITOR'S REPORT

The auditing firm Deloitte & Touche s.r.o. issued the Auditor's Report on the financial statements and expressed its opinion on the 2001 annual report of the Prague Stock Exchange only in the Czech language. The following Auditor's Report, as well as the enclosed financial statements are only translations of the Czech original.

We have audited the accompanying financial statements of Burza cenných papírů Praha, a.s. for the year ended 31 December 2001. The Company's Board of Directors is responsible for compiling financial statements. Our responsibility is to express an opinion on the financial statements as a whole based on our audit.

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

In our opinion, the financial statements present fairly, in all material respects, the assets, liabilities and equity and financial position of Burza cenných papírů Praha, a.s. as at 31 December 2001, and its results for the year 2001 in compliance with the Accounting Act and relevant regulations applicable in the Czech Republic.

Prague, 29 March 2002

**PROFIT & LOSS ACCOUNT (full format) as at December 31, 2001** (in thousands CZK)

	<b>2001</b>	<b>2000</b>
I. Sales of goods purchased for resale		
A. Cost of goods sold		
+ Gross margin		
II. Productio	189,133	230,271
1. Sale of own products and services	189,133	230,271
2. Change in finished goods and work-in-progress		
3. Own work capitalized		
B. Purchased consumables and services	56,054	59,141
1. Consumables	1,479	1,517
2. Services	54,575	57,624
+ Added value	133,079	171,130
C. Staff costs	59,325	56,020
1. Wages and salaries	38,550	36,881
2. Remuneration of board members	4,205	3,593
3. Social insurance	13,382	13,524
4. Social benefits	3,188	2,022
D. Taxes and charges	234	263
E. Depreciation of intangible and tangible fixed assets	36,599	56,213
III. Sale of fixed assets and material	820	608
F. Net book value of fixed assets and material sold	4,054	268
IV. Drawing of reserves, additions to complex deferred expenses		
G. Additions to reserves, settlement of complex deferred expenses	2,826	2,173
V. Drawing of provisions and depreciation of negative goodwill	4,844	3,746
H. Creation of provisions and depreciation of goodwill	2,670	7,152
VI. Other operating income	1,656	1,516
I. Other operating expenses	1,109	133
VII. Transfer of operating income		
J. Transfer of operating expenses		
<b>* Operating profit or loss</b>	<b>33,582</b>	<b>54,778</b>
VIII. Proceeds from sale of securities and ownership interests		
K. Cost of securities and ownership interests sold		
IX. Income from investments		
1. Income from intercompany securities and ownership interests		
2. Income from other securities and ownership interests		
3. Income from other investments		
X. Income from short-term investments		
XI. Drawing of financial reserves		
L. Additions to financial reserves		
XII. Settlement of adjustments		
M. Additions to adjustments		
XIII. Interest income	4,754	4,738
N. Interest expense	3,099	8,134
XIV. Other financial income	211	485
O. Other financial expenses	2,250	2,333
XV. Transfer of financial income		
P. Transfer of financial expenses		
<b>* Financial profit or loss</b>	<b>-384</b>	<b>-5,244</b>
R. Income tax on ordinary activities	12,307	17,238
1. - due	12,215	16,612
2. - deferred	92	626
<b>** Profit or loss from ordinary activities</b>	<b>20,891</b>	<b>32,296</b>
XVI. Extraordinary income	350	73
S. Extraordinary expenses		
T. Income tax on extraordinary activities		
1. - due		
2. - deferred		
<b>* Extraordinary profit or loss</b>	<b>350</b>	<b>73</b>
U. Transfer of shares on profit or loss of partnership to partners		
<b>*** Profit or loss of current year</b>	<b>21,241</b>	<b>32,369</b>
<b>Profit or loss of current year before taxation</b>	<b>33,548</b>	<b>49,607</b>
<b>KControl number</b>	<b>941,421</b>	<b>1,148,184</b>

FINANCIAL PART

**BALANCE SHEET as at December 31, 2001** (in thousands CZK)

	Gross	2001 Adjustment	Net	2000 Net
<b>TOTAL ASSETS</b>	<b>836,247</b>	<b>-316,625</b>	<b>519,622</b>	<b>559,100</b>
<b>A. Amounts receivable for subscribed capital</b>				
<b>B. Fixed assets</b>	<b>713,899</b>	<b>-306,183</b>	<b>407,716</b>	<b>440,279</b>
<b>I. Intangible fixed assets</b>	<b>79,587</b>	<b>-62,417</b>	<b>17,170</b>	<b>29,357</b>
1. Establishment costs				
2. Research and development				
3. Software	76,071	-58,901	17,170	29,357
4. Valuable rights (patents, licences, know-how)				
5. Other intangible fixed assets	3,516	-3,516		
6. Intangible fixed assets not-in-use				
7. Prepayments for intangible fixed assets				
<b>II. Tangible fixed assets</b>	<b>634,212</b>	<b>-243,766</b>	<b>390,446</b>	<b>410,822</b>
1. Land	71,856		71,856	71,856
2. Buildings, halls and structures	358,824	-54,807	304,017	313,369
3. Machinery, tools & equipment, vehicles and fixtures	190,431	-176,264	14,167	25,597
4. Perennial crops				
5. Breeding and draught animals				
6. Other tangible fixed assets	12,695	-12,695		
7. Tangible fixed assets not-in-use	406		406	
8. Prepayments for tangible fixed assets				
9. Adjustments to acquired assets (goodwill)				
<b>III. Financial investments</b>	<b>100</b>		<b>100</b>	<b>100</b>
1. Shares and ownership interests in subsidiaries	100		100	100
2. Shares and ownership interests in associates				
3. Other securities and ownership interests				
4. Intercompany loans				
5. Other financial investments				
<b>C. Current Assets</b>	<b>116,373</b>	<b>-10,442</b>	<b>105,931</b>	<b>115,993</b>
<b>I. Stocks</b>				
1. Materials				
2. Work-in-progress and semi-finished products				
3. Finished products				
4. Livestock				
5. Purchased goods for resale				
6. Advance payments for stocks				
<b>II. Long-term debtors</b>	<b>4,406</b>		<b>4,406</b>	<b>8,812</b>
1. Trade debtor	4,406		4,406	8,812
2. Receivables from partners and consortium members				
3. Amounts receivable from subsidiaries				
4. Amounts receivable from associates				
5. Other debtors				
<b>III. Short-term debtors</b>	<b>30,877</b>	<b>-10,442</b>	<b>20,435</b>	<b>29,945</b>
1. Trade debtors	30,713	-10,305	20,408	25,836
2. Receivables from partners and consortium members				
3. Social security				
4. Taxes receivable				3,986
5. Deferred tax receivable				
6. Amounts receivable from subsidiaries				
7. Amounts receivable from associates				
8. Other debtors	164	-137	27	123
<b>IV. Cash and investments</b>	<b>81,090</b>		<b>81,090</b>	<b>77,236</b>
1. Cash in hand	39		39	48
2. Cash at bank	10,551		10,551	11,188
3. Short-term investments	70,500		70,500	66,000
<b>D. Other assets</b>	<b>5,975</b>		<b>5,975</b>	<b>2,828</b>
I. Temporary assets	2,225		2,225	2,817
1. Deferred expenses	1,873		1,873	2,073
2. Accrued income	352		352	742
3. Exchange rate losses				2
<b>II. Estimated assets</b>	<b>3,750</b>		<b>3,750</b>	<b>11</b>
<b>Control number</b>	<b>3,341,238</b>	<b>-1,266,500</b>	<b>2,074,738</b>	<b>2,236,389</b>

	<b>2001</b>	<b>2000</b>
<b>TOTAL LIABILITIES</b>	<b>519,622</b>	<b>559,100</b>
<b>A. Equity</b>	<b>465,790</b>	<b>444,882</b>
<b>I. Registered capital</b>	<b>365,741</b>	<b>366,741</b>
1. Registered capital	384,948	384,948
2. Reacquired shares	-19,207	-18,207
<b>II. Capital Funds</b>	<b>35,998</b>	<b>35,948</b>
1. Share premium	22,769	22,769
2. Other capital funds	13,229	13,179
3. Gains or losses from revaluation of assets		
4.		
<b>III. Funds created from profits</b>	<b>25,656</b>	<b>6,699</b>
1. Legal reserve fund	25,656	6,699
2. Non-distributable fund		
3. Statutory and other funds		
<b>IV. Retained profit or loss from prior years</b>	<b>17,154</b>	<b>3,125</b>
1. Retained earnings from previous years	17,154	3,125
2. Accumulated losses from previous years		
<b>V. Profit or loss of current year (+/-)</b>	<b>21,241</b>	<b>32,369</b>
<b>B. Liabilities</b>	<b>40,642</b>	<b>106,709</b>
<b>I. Reserves</b>	<b>12,343</b>	<b>9,517</b>
1. Legal reserves	4,403	2,936
2. Reserve for foreign exchange losses		
3. Other reserves	7,940	6,581
<b>II. Long-term liabilities</b>		
1. Long-term payables to subsidiaries		
2. Long-term payables to associates		
3. Long-term advances received		
4. Bonds issued		
5. Long-term bills of exchange to be paid		
6. Other long-term payables		
<b>III. Short-term liabilities</b>	<b>28,299</b>	<b>47,692</b>
1. Trade creditors	10,030	11,441
2. Payables to partners and consortium members		
3. Payables to employees	2,004	2,926
4. Social security	1,214	2,088
5. Taxes payable and subsidies	1,674	17,766
6. Deferred tax	13,209	13,117
7. Payables to subsidiaries		
8. Payables to associates		
9. Other creditors	168	354
<b>IV. Bank loans and borrowings</b>		<b>49,500</b>
1. Long-term bank loans		49,500
2. Short-term bank loans		
3. Short-term borrowings		
<b>C. Other liabilities</b>	<b>13,190</b>	<b>7,509</b>
<b>I. Temporary liabilities</b>	<b>7,468</b>	<b>2,501</b>
1. Accrued expenses	4,443	2,499
2. Deferred income	2,944	
3. Exchange rate gains	81	2
<b>II. Estimated liabilities</b>	<b>5,722</b>	<b>5,008</b>
<b>Control number</b>	<b>2,051,525</b>	<b>2,199,023</b>

# Concluding

## Information

### REPORT OF THE SUPERVISORY BOARD

During the year 2001, up to the date of the General Meeting held on 12 June 2002, the Supervisory Board met 10 times. The composition of the Board was that approved at the 9th ordinary General Meeting. The Supervisory Board performed its supervisory function in accordance with the appropriate provision of the law and the PSE's Articles of Association.

At its meetings the Board regularly discussed the prepared and adopted decisions of the Exchange Chamber. It also paid great attention to the Exchange's strategic direction and to closely related personnel issues. In performing its activities the Board consistently monitored observance of shareholders's interests.

At its meeting on 29 April 2002 the Board discussed the Report on the Exchange's Business Activities and the State of its Assets for 2001. It had no comments on the submitted report and, therefore, recommended the General Meeting to approve it.

In line with Article 33 of the PSE's Articles of Association, the Supervisory Board reviewed the audited financial statements for 2001 and familiarised itself with the Auditor's Report. It agrees with the PSE's financial statements and with the submitted proposal for the distribution of profit and recommends the General Meeting of Shareholders to approve the financial statements and the Exchange Chamber's proposal for the distribution of 2001 profit in compliance with the above stated facts.

Prague 15 May 2002



VĚSLAV MICHALIK  
Chairman of the Supervisory Board

## SHAREHOLDERS AND EXCHANGE MEMBERS

### The Prague Stock Exchange's shareholders as at 31 December 2001

Shareholder	No. of shares	Percentage of registered capital	Shareholder	No. of shares	Percentage of registered capital
AB Banka, a.s. v likvidaci <sup>1)</sup>	4,500	1.17%	Global Brokers, spol. s r.o. <sup>7)</sup>	1,500	0.39%
ATLANTA SAFE, a.s.	3,000	0.78%	Harvardská burzovní společnost, a.s. <sup>3)</sup>	48,470	12.59%
ATLANTIK finanční trhy, a.s.	2,996	0.78%	HVB Bank Czech Republik a.s. <sup>1)</sup>	3,000	0.78%
BBG Finance a.s.	100	0.03%	ICEBERG, a.s. <sup>1)</sup>	40	0.01%
BH Securities a.s.	3,749	0.97%	imAGe 1, a.s. <sup>1)</sup>	1,000	0.26%
BODY INTERNATIONAL BROKERS a.s.	28,607	7.43%	ING Bank N.V., organizační složka	3,000	0.78%
Brněnská obchodní, a.s. <sup>1) 2)</sup>			Interbanka, akciová společnost	6,400	1.66%
C.S. Brokers burzovní, a.s. <sup>1)</sup>	120	0.03%	INVESTKONZULT, a.s. <sup>1)</sup>	1,000	0.26%
CA IB Securities, a.s.	4,612	1.20%	Komerční banka, a.s.	30,429	7.90%
CAUTUS FINANCE, a.s.	100	0.03%	KOMERIO, brokerský dům Konečný, a.s. <sup>1)</sup>	50	0.01%
CITICORP SECURITIES (CR), s.r.o.	1,000	0.26%	KOMERO s.r.o. <sup>1) 2)</sup>		
COOP BANKA, a.s. v likvidaci <sup>1)</sup>	2,000	0.52%	Merx a.s. <sup>1)</sup>	1,000	0.26%
Credit Suisse First Boston (Praha) a.s.	2,997	0.78%	Moravia Banka, a.s. <sup>1)</sup>	500	0.13%
CYRRUS, s.r.o.	1,000	0.26%	Moravskočeská a.s. v likvidaci <sup>1) 2)</sup>		
ČP INVEST investiční společnost, a.s. <sup>1)</sup>	2,000	0.52%	NEWTON Stock Investment, a.s. <sup>1)</sup>	500	0.13%
Česká pojišťovna a.s. <sup>1)</sup>	20,000	5.20%	OESTERREICHER & spol., s. r. o. <sup>1)</sup>	1,000	0.26%
Česká spořitelna, a.s.	33,408	8.68%	Patria Finance, a.s.	3,000	0.78%
Československá obchodní banka, a. s.	63,901	16.60%	PROCON INTERNATIONAL s.r.o. <sup>1)</sup>	1,000	0.26%
DISISOFT, a.s. v likvidaci <sup>1)</sup>	100	0.03%	První legiónářská s.r.o. v likvidaci <sup>1)</sup>	2,499	0.65%
DPFR a.s. (do 28. 2. 2001 Pražská brokerská a.s.) <sup>1)</sup>	50	0.01%	Satí, spol. s r.o.	100	0.03%
EASTBROKERS, akciová společnost v likvidaci <sup>1)</sup>	1,166	0.30%	Slovenská sporitelňa, a.s. <sup>1)</sup>	1,000	0.26%
eBanka, a.s. <sup>1)</sup>	7,640	1.99%	SOCIETE GÉNÉRALE, pobočka Praha <sup>4)</sup>	100	0.03%
FIO, burzovní společnost, a.s.	100	0.03%	Union banka, a.s.	15,000	3.90%
Fond národního majetku České republiky	4,500	1.17%	UNIVERSAL BANKA, a.s., v konkursu <sup>1) 2)</sup>		
GE Capital Bank, a.s. <sup>1)</sup>	17,388	4.52%	Všeobecná úverová banka, a.s., pobočka Praha	22,154	5.76%
GES INVEST, a.s. <sup>1)</sup>	1,000	0.26%	Wood & Company, s.r.o. <sup>5)</sup>	1,000	0.26%
			Živnostenská banka, a.s.	14,355	3.73%

### Other members of the Prague Stock Exchange as at 31 December 2001

ABN AMRO Bank N.V., Prague branch  
 Baader Securities, a.s.  
 CAPITAL PARTNERS a.s.  
 CONSEQ Finance spol. s r.o. <sup>6)</sup>  
 ČESKÁ NÁRODNÍ BANKA  
 Českomoravská záruční a rozvojová banka, a.s.  
 Deutsche Bank Aktiengesellschaft Filiale Prag, organisational unit  
 EPIC Securities, a.s.  
 J&T Securities (Czech Republic) a.s.  
 PPF burzovní společnost, a.s.  
 Raiffeisenbank a.s.

<sup>1)</sup> not a PSE member

<sup>2)</sup> company did not agree to publish its share in the PSE registered capital

<sup>3)</sup> PSE member until 31 December 2001

<sup>4)</sup> PSE member until 2 January 2002

<sup>5)</sup> as at 1 February 2002 the company's legal form and name was changed to WOOD & Company Financial Services a.s.

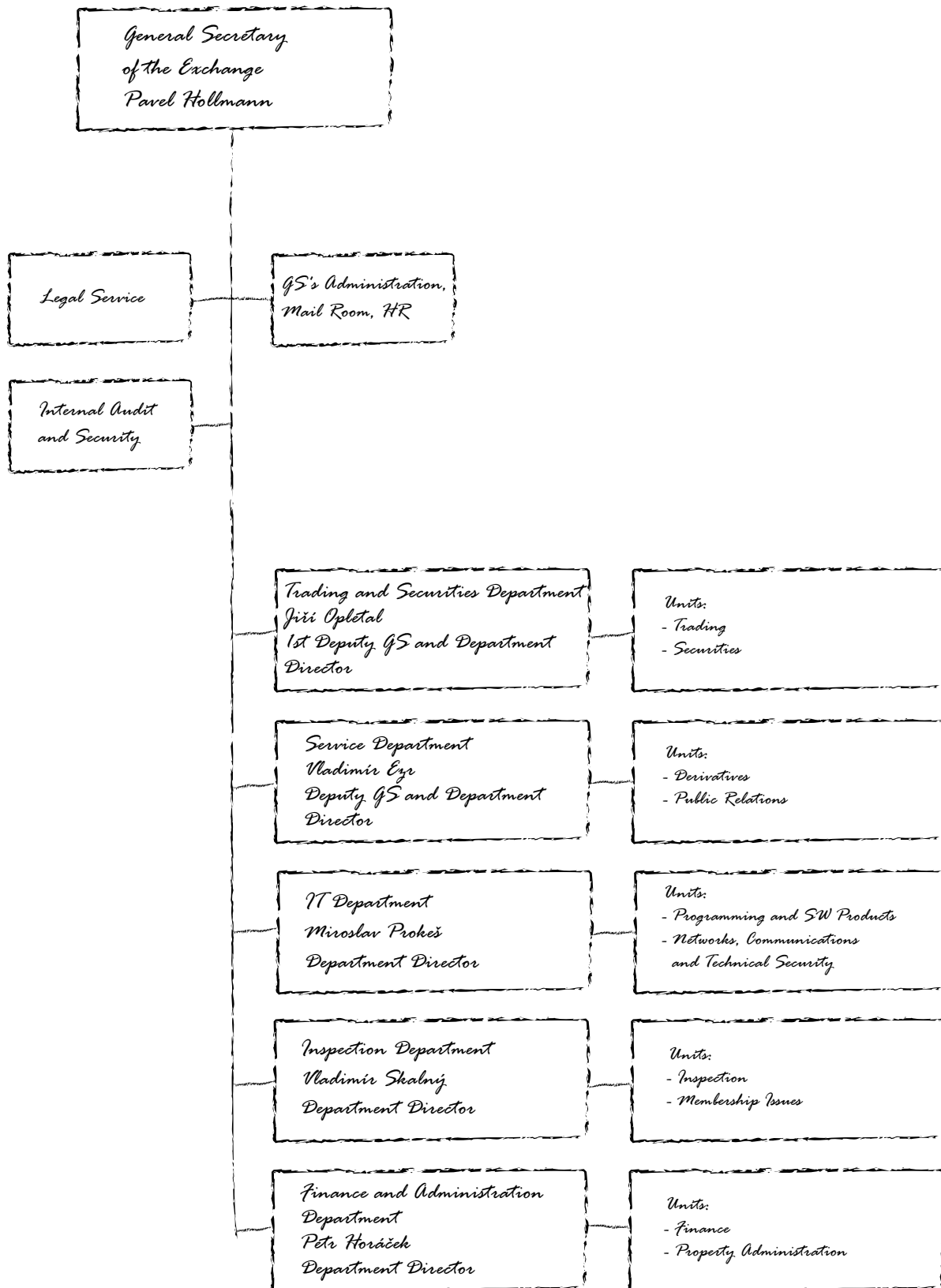
<sup>6)</sup> as at 6 March 2002 the company's legal form and name was changed to Conseq Finance, a.s.

<sup>7)</sup> as at 14 February 2002 the company's legal form and name was changed to Global Brokers, a.s.

CONCLUDING INFORMATION

THE COMPANY'S STRUCTURE

(in effect since 1 November 2001)





## RESOLUTION OF THE GENERAL MEETING

### Resolution of the 10th General Meeting of Shareholders

#### At the 10th General Meeting of the Prague Stock Exchange held on 12 June 2002 the shareholders discussed and approved:

- Report on the Exchange's Business Activities and the State of its Assets in 2001, they were also acquainted with the Report of the Supervisory Board and the Auditor's Report.
- Financial statements for 2001 and the proposal for distribution of profit.  
The Company ended the year 2001 with a pre-tax profit of CZK 33,548,000. An income tax of CZK 12,182,000 will be paid from the generated income, as well as the additional tax of CZK 33,000 from the 1999 and 2000 income, and a CZK 92,000 increase in the deferred income tax reserve. The resulting after-tax profit of CZK 21,241,000 will be distributed as follows:
  - statutory mandatory allocation to the reserve fund of CZK 1,063,000 (according to §217 of the Commercial Code and the Exchange's Articles of Association)
  - undistributed profit of the current year of CZK 20,178,000.
- Principles governing the Exchange's activities in 2002.
- Amendments to the PSE's Articles of Association w.e.f. 1 July 2002.
- A proposal to decrease the PSE's registered capital.  
In compliance with §4(2) of Act No. 214/1992 Coll., on the Stock Exchange the PSE's registered capital has been decreased by CZK 1,900,000 to CZK 383,048,000. The decrease in the registered capital is based on the fact that the Exchange must withdraw its own shares which it held for over three years from circulation, and decrease the registered capital by their nominal value.
- Changes in Rules Governing the Exchange Fees w.e.f. 1 August 2002
- Changes in the composition of the Exchange Chamber  
The General Meeting elected three new members of the Exchange Chamber:
  - Michael Jasanský from Patria Finance, a.s., co-opted to the Exchange Chamber on 8 March 2002,
  - Peter Palečka from Komerční banka, a.s., co-opted on 29 May 2002, and
  - Viliam Ostrožlák, representative of Všeobecná úverová banka, a.s.The General Meeting noted resignation of Jan Vinter, member of the Exchange Chamber, as at 12 June 2002.

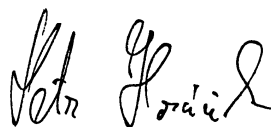
## CONCLUDING INFORMATION

### DECLARATION ON RESPONSIBILITY

We hereby declare that data and information stated in the Annual Report for 2001 comply with the real facts and that no known fundamental circumstances, which could affect the accurate and correct assessment of the Prague Stock Exchange, were omitted.



VLADIMÍR EZR  
Deputy General Secretary and Director of Service Department  
responsible for pages 1-31 and 36-42  
of the PSE's Annual Report for 2001



PETR HORÁČEK  
Finance and Administration Department Director  
responsible for pages 32-35  
of the PSE's Annual Report for 2001

## GLOSSARY OF ABBREVIATIONS AND TERMS

<b>AOS</b>	Automated Trading System. A system facilitating the conclusion, registration and settlement of Exchange trades (abbreviated in Czech as "AOS")
<b>auction</b>	A method of automated trading on the Exchange's prompt market which is based on the accumulation of orders to buy and sell securities. A price based on the matching of orders is fixed at a certain moment.
<b>automated trades</b>	A type of exchange trades on the prompt market which are based on automated electronic processing of orders in accordance with the appropriate AOS algorithms.
<b>Central market (CM)</b>	A pricing market which includes the results of automated trades and SPAD trading. Terminology used until 31 December 2001.
<b>continual</b>	A method of automated trading in which a trade is concluded on the basis of continuous input of orders to buy and sell securities. The principle of price and then chronological priority is applied when matching orders.
<b>issuer</b>	A company which has issued securities.
<b>market maker</b>	An Exchange member which has concluded a contract with the Exchange to work as a market maker and which is obliged during the open phase of SPAD to continually quote all securities on whose behalf he acts as a market maker
<b>prompt market</b>	A securities market to which securities are added against payment, the counter-balance to a derivatives market.
<b>PX-D</b>	An index based on SPAD issues, a basic asset for derivatives trading.
<b>PX- GLOB</b>	A global index based on all registered share issues, including investment funds and units whose price was fixed at the latest during the previous trading session.
<b>PX 50</b>	The official Exchange index, based on maximum 50 issues selected because of their market capitalisation and liquidity and taking into account of their sectorial classification; investment fund issues are not included.
<b>SC</b>	Securities Centre, and institution established by state which keeps record of securities and manages accounts of individual securities owners (abbreviated in Czech as SCP)
<b>SeC</b>	Securities Commission - the state body responsible for supervising the Czech capital market and ensuring compliance with applicable rules and regulations.
<b>SPAD</b>	System for Support of Share and Bond Market, a trading segment based on the quotation of prices by market makers.
<b>Univyc</b>	Universal Settlement Centre, the Exchange's subsidiary.

## CONCLUDING INFORMATION

### CONTACT INFORMATION

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P.O.BOX 49  
110 05 Prague 1  
Czech Republic

#### WWW server

<http://www.pse.cz>

#### FTP SERVER

<ftp://ftp.pse.cz>

**ID No.:** 47115629

**Tax ID No.:** 001-47115629

**Banking information:** Komerční banka, a. s., Prague branch, Acc. No. 57008-011/0100

**Entry in the Commercial Register:** Municipal Court in Prague, Part B, Insert 1773

#### Management

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