

Annual Report 2002
Prague Stock Exchange

KOMUNIKACE • ▲ ČESKÝ TELECOM • ▲ ČEZ • ▲ ERSTE BANK • ▲ KOMERČNÍ BANKA • ▲ PHILIP MORRIS ČR • ▲ UNIPETROL • ▲ ČESKÉ RADIOKOMUNIKACE • ▲ ČESKÝ TELECOM • ▲ ČEZ • ▲ ERSTE BANK • ▲ KOMERČNÍ BANKA • ▲ PHILIP MORRIS ČR • ▲ UNIPETROL • ▲ ČESKÉ RADIOKOMUNIKACE • ▲ ČESKÝ TELECOM • ▲ ČEZ • ▲ ERSTE BANK • ▲ KOMERČNÍ

Burza cenných papírů Praha, a.s. (the Prague Stock Exchange, or PSE) is the Czech Republic's main securities market organizer.

Through authorised persons operating at an appointed place and at 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 PSE 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.

Exchange's trading results are published on the internet, through information agencies and in the daily press (in abbreviated version). The PSE's internet pages at www.pse.cz are still the source of the most extensive and up-to-date information from the Exchange. They give the general investing public access to the actual value of the main Exchange indices, continuous trading results, statistical summaries, detailed information about issuers and 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 to capital market participants.

Since June 2001, the PSE has been an associate member of the Federation of European Exchanges (FESE).

1,793

Total value of trades in 2002 was CZK 1,793 billion

478

Market capitalisation of shares as at 31 December 2002 totalled CZK 478 billion

460.7

PX 50 Index value as at 31 December 2002 was 460.7

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Selected Indicators

10 years of trading in numbers

On 6 April 2003, ten years have passed since the first securities were traded on the Prague Stock Exchange.

Key annual data for the period 1993–2002

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
No. of trading sessions	250	250	249	254	251	250	249	234	161	41
Total annual value of trades (CZK bn)	1,793.1	1,987.2	1,222.8	1,187.5	860.2	679.5	393.2	195.4	62.0	9.0
Of this: shares+units	197.4	128.8	264.1	163.5	172.6	246.3	249.9	125.6	42.6	7.1
bonds	1,595.7	1,858.4	958.7	1,024.0	687.6	433.2	143.3	69.8	19.4	1.9
Average daily value of trades (CZK m)	7,172.3	7,948.7	4,911.0	4,675.1	3,427.1	2,718.1	1,579.1	835.1	385.3	220.0
Of this: shares+units	789.6	515.2	1,060.8	643.5	687.6	985.2	1,003.8	536.9	264.6	173.9
bonds	6,382.7	7,433.5	3,850.2	4,031.6	2,739.4	1,732.9	575.3	298.1	120.7	46.1
Percentage of shares+units in total value of trades (%)	11.0	6.5	21.6	13.8	20.1	36.2	63.6	64.3	68.7	79.0
No. of share and unit issues (end of year)	79	102	151	195	304	320	1,670	1,716	1,028	971
No. of bond issues (end of year)	74	84	94	95	98	92	80	48	27	11
Market capitalisation (CZK bn) - shares+units (end of year)	478.0	340.3	442.9	479.6	416.2	495.7	539.2	478.6	353.1	x
PX 50 Index (end of year)	460.7	394.6	478.5	489.7	394.2	495.3	539.6	425.9	557.2	705.2
PX-D Index (end of year)	1,166.4	1,065.6	1,366.0	1,296.7	996.4	1,235.0	x	x	x	x

Most traded issues

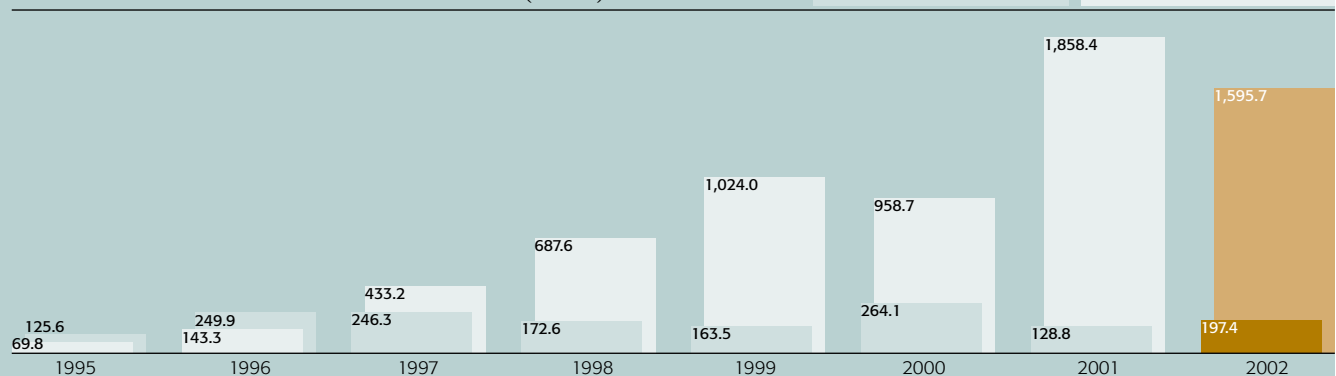
Share and unit issues with the highest total trade value between 6 April 1993 and 31 December 2002

No.	ISIN	Title	Registration date	Value (CZK bn)	Share (%)	Cumul. (%)	Withdrawal date
1.	CZ0009093209	ČESKÝ TELECOM	01. 03. 95	403.502	25.25	25.25	
2.	CZ0008019106	KOMERČNÍ BANKA	22. 06. 93	259.815	16.26	41.51	
3.	CZ0005112300	ČEZ	22. 06. 93	203.350	12.73	54.23	
4.	CZ0008023801	ČESKÁ SPOŘITELNA	22. 06. 93	103.256	6.46	60.70	06.08.02
5.	CZ0009054607	ČESKÉ RADIOKOMUN.	01. 03. 95	70.083	4.39	65.08	
6.	CZ0009091500	UNIPETROL	28. 08. 97	42.000	2.63	67.71	
7.	CS0008418869	PHILIP MORRIS ČR	13. 07. 93	32.462	2.03	69.74	
8.	CS0008001509	RIF	17. 05. 94	25.815	1.62	71.36	29.09.00
9.	CZ0008012804	KOMERČNÍ BANKA IF	14. 12. 93	15.848	0.99	72.35	27.06.00
10.	CS0005041250	ŠKODA PLZEŇ	22. 06. 93	15.304	0.96	73.31	27.09.01

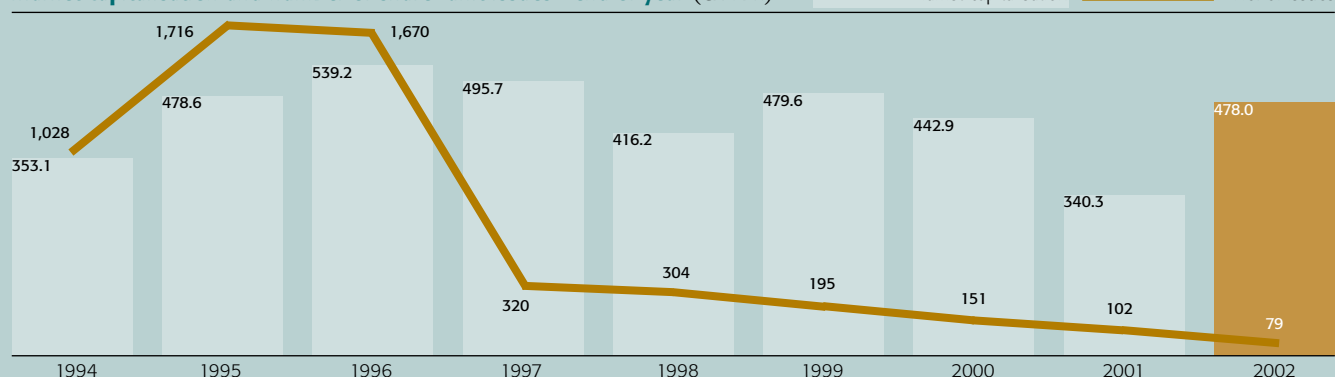
Exchange records

The highest total annual value of trades	CZK 1,987.2 bn in 2001
The highest annual value of trades on the share and unit market	CZK 264.1 bn in 2000
The highest annual value of trades on the bond market	CZK 1,858.4 bn in 2001
The highest total monthly value of trades	CZK 303.1 bn in November 2001
The highest total daily value of trades	CZK 27,281 bn on 9 November 2001
The highest total daily value of trades in one share issue	ČESKÁ SPOŘITELNA, CZK 5.626 bn on 11 December 2001
The highest total daily value of trades in one bond issue	KOB 10,875/04, CZK 13.758 bn on 9 March 2001

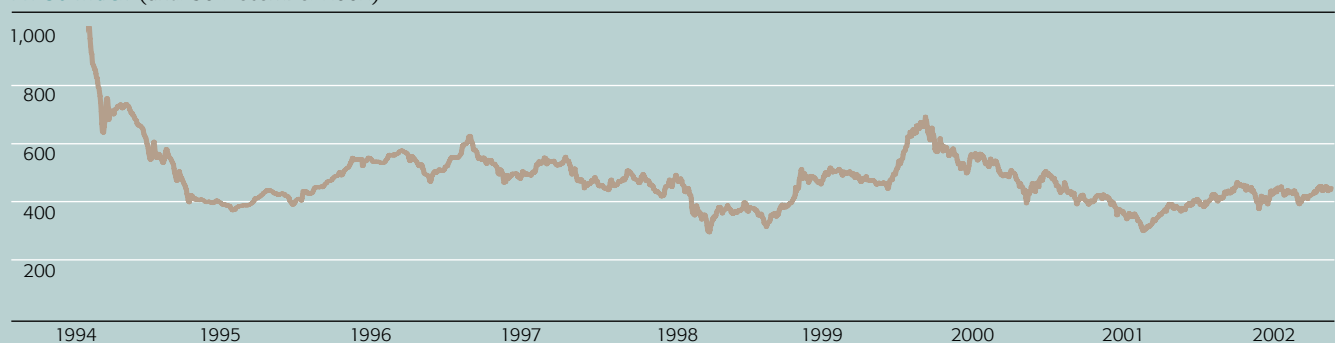
Annual value of trades in shares+units and bonds (CZK bn)



Market capitalisation and number of share+unit issues - end of year (CZK bn)



PX 50 Index (until 30 December 2002)



PSE's key financial indicators (CZK m)

	2002		2001	2000	1999	1998	1997
	Without revaluation	Incl. Revaluation*					
Revenues	199	199	202	241	265	258	267
Costs	136	320	168	192	245	240	288
Profit/loss before tax	63	-121	34	49	20	18	-21
Profit/loss after tax	60	-124	21	32	11	14	-25
Equity	523	339	466	445	437	429	414

* Includes costs related to the sale of the Exchange Palace building - see p. 28

Introduction by the Chairman of the Exchange Chamber

The year 2002 saw continuation of the previous year's trend towards growth and, despite notably negative developments worldwide, the Czech Republic recorded a modest 2% growth in GDP. This positive trend was helped by significant foreign investment in the Czech Republic and also by continuing privatisation of more companies in which the state had holdings.

From a worldwide perspective, 2002 was a year of setbacks on major capital markets caused by financial scandals in the United States in the first half of the year and by the continuing lack of confidence in technology titles. In contrast to world stock markets, the year was a positive one for the Czech capital market and it was one of the world's fastest growing markets. The PSE's main index, the PX 50, rose by almost 17% as against the end of 2001 and there was a significant recovery in the share and unit market which was reflected in year-on-year growth in the volume of trades of more than 50%.

In the legislative field work continued on the preparation of two pivotal Czech capital market laws, the Act on Capital Market and the Collective Investment Act, and also the Bonds Act. The PSE played an active role in preparing the



Dušan Baran
Chairman of the Exchange Chamber

Act on Capital Market and the Bonds Act. The Ministry of Finance, in collaboration with the Securities Commission, was responsible for overall coordination of the preparation of these laws. The Act on Capital Market will replace almost the whole of the current Securities Act, including the civil law part dealing with securities contracts, and it will completely replace the Stock Exchange Act. The new Collective Investment Act will replace the Act on Investment Companies and Investment Funds. All three Acts will be fully harmonised with European Union legislation and should be approved during 2003.

Midway through the year 2002 the amended Act on Securities Commission came into force. It redefines the Commission's status and responsibilities, strengthens its authority in relation to securities brokers and harmonises some of the Act's provisions with European Union law. The amendment's main contribution is to allow the Commission to issue decrees, which until the amendment came into force had been the prerogative of the Ministry of Finance. The amendment also moves the date by which funds can be opened by one year, to the end of 2003. Another change is that it allows enforced administration to be imposed on

securities brokers and imposes stricter disclosure duties on them.

Adoption of the Act on Capital Market will be of crucial importance for the PSE's other activities since it creates a legislative framework for the emergence of a central depository. The central depository project, which the Ministry of Finance has prepared in cooperation with the PSE, tackles the creation of a new subject responsible for settlement of trades and registration of securities transactions. The new system, which should be ready before the Czech Republic's accession to the European Union, will create conditions for the Czech capital market's further expansion and allow development of the PSE's services in this area.

In 2002 the PSE continued to bring its own legislation and operations into line with European Union standards and the recommendations of the World Federation of Stock Exchanges. The rules governing admission and trading of bond programmes, short-term bonds and foreign securities, including the disclosure duties of issuers of foreign securities, were amended and simplified. The demands made on PSE members were tightened up, mainly in terms of supervision of its members' activities

and the continuous monitoring of trading.

On the PSE's share market the most important event of 2002 was admission of the first foreign share issue of the company Erste Bank der oesterreichischen Sparkassen AG issue to the Exchange's Main Market. The Exchange opened trading in this issue on October 1 and it was also included in the base of the Exchange's main PX 50 and PX-D indices.

The PSE's main task in the forthcoming period is to get ready, as part the Czech capital market, for the Czech Republic's accession to the European Union. It will therefore continue to make maximum efforts to achieve a level of services which is fully comparable with those available in developed foreign markets.

In terms of the globalisation of European capital markets, the PSE continues to monitor opportunities for a closer relationship with central European markets and, simultaneously, opportunities for cooperation with advanced markets within the framework of the European Union.

Major Events on the PSE and the Czech Capital Market

24. 11.

The Prague Stock Exchange established.

5. 4.

Calculation of the Exchange's official PX 50 Index begun.

15. 3.

Trading begun in the KOBOS system (continual trading at variable price - order-driven system).

'92 '93 '94 '95 '96

6. 4.

Trading opened in 7 securities issues on the Exchange floor.

22. 6.

622 share issues from the 1st wave of coupon privatisation launched on the Exchange market.

13. 7.

333 share issues from the 1st wave of coupon privatisation launched on the Exchange market.

1. 3.

674 share issues from the 2nd wave of coupon privatisation launched on the Exchange markets.

6. 4.

The PX-GLOB and PXL summary indices opened, along with 19 sector indices.

1. 9.

The Exchange's market divided into three new markets: the Main, the Secondary (originally the listed market) and the Free (originally the unlisted market).

1,301 illiquid share issues withdrawn from the Exchange's Free Market with the aim to increase the transparency of the market.

4. 1.

The new continuously calculated PX-D Index introduced.

Continual calculation of the PX 50 index begun.

20. 9.

75 share issues withdrawn from the Free Market.

1. 10.

Trading in the 1st foreign share issue ERSTE BANK on the Exchange opened.

'97 '98 '99 '01 '02

1. 4.

The Securities Commission's functioning begun.

25. 5.

Trading in SPAD (the System for Support of the Share and Bond Market) begun.

1. 1.

Major amendments to laws governing the capital market: the Securities Act, the Bond Act, the Stock Exchange Act and the Commercial Code came into effect.

14. 6.

PSE accepted as an associate member of the Federation of European Stock Exchanges (FESE).

Interview with the Exchange's General Secretary

Pavel Hollmann, General Secretary of the Prague Stock Exchange, answers questions on the PSE's development during 2002 in the context of the Czech capital market.

How did the Czech capital market develop in 2002?

In the legislative field, an amendment to the Securities Commission Act which defined more precisely and strengthened the Commission's powers was approved. Simultaneously with the amendment of the Securities Commission Act, there were amendments to the Securities Act, the Stock Exchange Act and the Commercial Code. Work also continued on drafting two new pivotal Czech capital market laws – the Collective Investment Act, which will replace the Act on Investment Companies and Investment Funds, and the Act on Capital Market, which will largely replace the Securities Act and the Stock Exchange Act.

Did the PSE play a part in preparing the new legislation?

The Exchange is actively involved in legislative changes, mainly through its cooperation in preparing the Act on Capital Market and the new Bonds Act. The Ministry of Finance, in collaboration with the Securities Commission, is responsible for overall coordination of the preparations. Apart from the PSE, representatives of state institutions, private financial institutions and capital and money market participants are taking part in the preparations, including experts from the ranks of prominent lawyers and

economists. The Act is being prepared in line with the envisaged recodification of the civil code and private law as a whole.

How will the prepared Acts affect the PSE's future functioning?

The new Act on Capital Market is linked to the project for creation of a central depository in the Czech Republic, which should, in line with advanced capital markets, fulfill the function of a securities register and settlement centre. The Prague Stock Exchange is among those taking part in the project to create a new civil law entity.

How are securities registered and trades settled at present and what will the central depository's main contribution be?

At the moment several entities are involved in settlements, but 99% of the value of transactions is settled by the PSE's subsidiary UNIVYC, a.s. Book-entered securities are registered the Securities Centre. UNIVYC registers certificated and foreign securities traded on the PSE, while the Czech National Bank registers short-term securities, especially treasury bonds, and units are registered by unit trust administrators. The new subject, which will operate on the membership principle and provide comprehensive services in the areas

of registration and settlement, will help to improve the Czech capital market's competitiveness and transparency. It will facilitate the introduction of new services, strengthen the influence of market participants on the depository's activities while preserving the state's influence over decision-making on fundamental issues and above all reduce transaction costs for market participants.

Were there any significant changes in the PSE's own legislation in 2002?

Changes in the PSE's legislation are made in response to amendments to the laws governing the capital market and are in the long-term harmonised with European Union directives. The most significant changes relate to fees policy and also to securities, and minor changes were made to the rules governing trading in the SPAD system and membership requirements. The changes to the Exchange Regulations simplify the process of admitting and trading bond programmes and short-term bonds and the process of admitting tranches of issues already accepted for trading on the Exchange and of foreign securities. They are also a response to the Ministry of Finance's and the Czech Consolidation Agency's membership on the PSE, and in terms of trading

they impose stricter rules on the activities of market makers at the close of trading.

What kind of changes were made to the PSE's fees policy in 2002?

There were major changes to the Tariff of Exchange Fees for 2002. These were in response to the Ministry of Finance's Decree No.105/2001 Coll. on the reporting of trades and introduced fees for registration of a block trade and for settlement of a block trade regardless of the kind of market and security. This involves a change in the PSE's fee concept, with the original Exchange fees, which also included settlement, now being divided into fees for registration or trading and fees for settlement. Other changes were made in response to the introduction of a new service – admission of bond programmes – and the possibility of admitting short-term bonds maturing in 12 months. Single fee was fixed for admission of a bond programme, while short-term bonds are no longer liable to single fee and the issuer pays only a fee for trading and settlement depending on the number of months for which the bond has been registered on the Exchange. The minimum rate of the market maker's fee for the organising of SPAD trades, including settlement, was reduced w.e.f. the beginning

Interview with the Exchange's General Secretary

of 2003 in order to support the activities of market makers.

How did the Exchange Chamber's composition change during the year?

The most important change was the election of the Chairman and Vice-Chairmen. In April 2002, the Exchange Chamber elected a new Chairman, Dušan Baran, and Michael Jasanský and Jan Blaško were elected Vice-Chairmen.

What kind of changes were there in the PSE's membership base?

During 2002, trading was again concentrated in the hands of its bigger members. At their own request, seven companies ended their Exchange membership, while two new members were added – the Czech Consolidation Agency and the Ministry of Finance. As at 1 January 2003 the Exchange had 29 members.

How did trading on the PSE develop in 2002?

2002 was an important year for the Czech share market, with the value of shares traded rising year-on-year by an unprecedented 53.3%. It's true that

the bond market fell as expected (by 14.1%), so that the total value for the year was 9.8% lower than in the previous record year. The most traded share issue was the KOMERČNÍ BANKA issue, which accounted for almost 39% of the annual value of shares and units traded on the market.

The share market indices also improved significantly. The PSE's official PX 50 Index rose year-on-year by 16.75% and the PX-D Index by 9.46%. The Czech market was thus one of the fastest growing markets, since all of the major advanced markets recorded significant falls.

How did the share and bond markets change in 2002?

2002's most significant event was undoubtedly admission of the first foreign share issue, of the company the Erste Bank der oesterreichischen Sparkassen AG, to trading on the PSE's Main Market and subsequently the October 1 opening of trading in this issue. The ERSTE BANK issue was also included in the base of the PX-D Index and PX 50 Index, where it has the maximum permitted share (20%). During the year 12 bond issues were admitted to trading on PSE markets.

Three new bond programmes – those of Český Telecom, Českomoravská hypoteční banka and Česká spořitelna – were admitted, adding to the present two bond programmes of the state's Czech Consolidation Agency and the transnational European Investment Bank. There was a further reduction in the number of issues. 79 share titles and 74 bond issues were registered on the PSE at 31 December 2002. The most significant change was the ending of trading in the ČESKÁ SPOŘITELNA issue, which left the Exchange market in August 2002.

How did the PSE manage to continue trading during last year's August floods?

During the floods, the PSE carried on its activities without interruption. As a preventive measure, trading was transferred to a reserve workplace and its full operation was guaranteed by the use of its reserve trading and information system.

What about the PSE's trading result in 2002?

Total profit on operating activities before tax and excluding revaluation of the PSE's assets rose to almost

CZK 63 million, which represents the best operating profit since the PSE was established. The higher volume of trades and the accompanying income from fees, higher revenues from settlement-related services and sales of information were the main factors positively affecting the level of profit. Cost-savings also played a significant part in operating profit. However, the revaluation of PSE assets in connection with the possible sale of the Exchange Palace also affects the overall accounting result. To comply with International Accounting Standards and the auditor's recommendations the Exchange's assets had to be revalued, i.e. its share in the ownership of the Exchange Palace building at current market value – and a CZK 183 million provision and reserve for costs related to the sale of the Exchange Palace building created. The result of this operation is an accounting loss for 2002 of CZK 121 million before tax, but this does not directly affect the positive development in the Exchange's financial situation.

What is the PSE's strategy in the forthcoming period?

The main joint aim of the Exchange and its UNIVYC, a.s. subsidiary is to further improve the quality and cost of services

for its members and make every effort to raise them to a level fully comparable with the level of services on developed foreign markets. The Exchange will strive to make itself fully compatible with European capital markets, especially in the field of legislation and trading procedures. It will also support all activities which lead to the simplification of settlement. In relation to its members, the Exchange aims to provide cheap and convenient services along with access to European capital markets and it will constantly strive to reduce their transaction costs and extend the range of services while reducing fees or keeping them at the same level. The PSE will continue to develop its information and trading system so that, through PSE members, investors enjoy the easiest possible access to trading on the Internet and specialised network systems.

January 2

The PSE officially began publishing Exchange information in a new form.

March 8

The Exchange Chamber noted George Jedlička's resignation from membership of the Chamber and from the posts of Chairman of the Exchange Chamber and Chairman of the Exchange Listing Committee and Zdeněk Bakala's resignation from membership of the Chamber. It appointed Michael Jasanský, a representative of Patria Finance, a.s. as a new member of the Chamber.

April 1

An amendment to the Tariff of Exchange Fees for 2002 introduces fees for registration of a block trade and for settlement of a block trade and an amendment to the part of the Exchange Regulations dealing with trading and settlement which was the PSE's response to Ministry of Finance Decree No.105/2001 Coll. on the reporting of trades, came into force.

April 4

The Exchange Chamber's members elected Dušan Baran as their Chairman and Michael Jasanský as Vice-chairman.

May 29

The Exchange Chamber co-opted Peter Palečka, a representative of Komerční banka, a.s., as a member of the Chamber in place of Tomas Spurny, whose resignation it had noted at its meeting on May 13.

June 4

The ČESKÁ SPOŘITELNA share issue was withdrawn from trading in the SPAD segment. It continued to be traded in the automated and block trading segments.

June 12

The PSE's 10th Ordinary General Meeting of Shareholders approved the Report on the Exchange's Business Activities and the State of its Assets for 2001, the 2001 Financial Statements, including the decision on distribution of the profit, Principles of the Exchange's Activities for 2002 and changes to the Exchange's Articles of Association and Tariff of Exchange Fees. It also elected Michael Jasanský, Peter Palečka and Viliam Ostrožlík as members of the Exchange Chamber and noted Jan Vinter's resignation from the Exchange Chamber membership as of June 12.

June 17

An amendment to the part of the Exchange Regulations dealing with the problem of admission of securities to Exchange markets came into force. Changes to the regulations simplified the process of admitting and trading in bond programmes and short-term bonds and the process of admitting tranches of issues already admitted to trading on the Exchange and of foreign securities.

June 24

The Exchange Listing Committee decided to admit the ordinary shares of Erste Bank der oesterreichischen Sparkassen AG to trading on the PSE's Main Market.

July 1

An amendment to the membership part of the Exchange Regulations which reintroduces a prescribed level of liquid cash funds as one of the general requirements for Exchange membership came into force.

July 31

To comply with an amendment to the Prague Stock Exchange's Articles of Association (requiring the election of two Vice-chairmen), the Exchange Chamber elected Jan Blaško as the Chamber's Vice-chairman.

August 5

The PSE ended trading in the ČESKÁ SPOŘITELNA share issue on its Main Market because of a cancellation of the share registration based on a decision of the company's General Meeting.

August 28

The Exchange Trades Committee approved a change to the Principles Governing Updating of the PX 50 Index Base.

September 1

Changes to the Tariff of Exchange Fees for 2002 involving the separation of Exchange fees for trading from fees for settlement and changes to the fees for bond programmes and short-term bonds came into force.

October 1

The PSE opened trading in the first issue of foreign shares, the ERSTE BANK issue. The settlement date for all pricing trades was standardised at T+3.

October 2

The ERSTE BANK issue was included in the base of the PX 50 and PX-D indices.

October 31

Viliam Ostrožlík resigned from his membership of the Exchange Chamber.

1 January 2003

The National Property Fund of the Czech Republic transferred its Exchange membership to the Czech Consolidation Agency.

Changes to the membership part of the Exchange Regulations which refer in particular to the Czech Republic's PSE membership through its Ministry of Finance and the Czech Consolidation Agency, and to the Trading Rules part of the same regulations which define more precisely the rules governing the activities of market makers at the close of trading, came into force.

An amendment to the Tariff of Exchange Fees for 2003 which reduces the minimum rate of the market makers' fee for organising trades in the SPAD segment, including settlement, from the current CZK 350 per trade to CZK 200, came into force.

The PSE's Development Strategy

The PSE's principal aim is to further improve the quality and cost of services for its members so that their level is fully comparable to the level of services available in developed foreign markets and to play an active role in the development and stabilisation of the Czech Republic's capital market.

The basic directions of the PSE's development in the forthcoming period include:

- providing members of the PSE and members of its subsidiary UNIVYC with cheap and convenient services linked to European capital markets
- constant reductions in its members' transaction costs while at the same time extending the range of services available
- support for all activities leading to simplification and reduction of the cost of settlement
- an attempt to establish full compatibility with European capital markets, especially in terms of legislation and trading procedures
- creation of a central depository using the capacities of both the PSE and UNIVYC
- development of a PSE information and trading system which provides investors with the easiest possible access, through PSE members, to trading.

Its active involvement in the preparation of legislative changes within the framework of the capital market is very important to the PSE's further development. This is especially true of the Act on Capital Market, which creates a legislative framework for the emergence of a new entity for settlement of trades and registration of securities transactions.

The newly-established central depository should create conditions for further development of the Czech capital market, foster development of services in this area and establish links with foreign settlement centres. This aims at increasing competitiveness of the Czech capital market, especially by reducing transaction costs and strengthening the influence of capital market participants on the activities of the key entities.

In terms of foreign cooperation, the PSE has already declared that it is interested in taking part in the current integration processes within the framework of the central European markets and the EU region. The possibility of establishing links with it will be judged by the usefulness of particular forms of cooperation to its members and shareholders. The PSE will also continue to play an active role in the European Federation of Stock Exchanges (FESE) and its expert groups.

The PSE's activities in 2002

Structure of the Securities Market

The general role of the trading and securities department is to provide a reliable and transparent environment for brokers, investors and securities issuers. While the Trading Department is responsible for supervision of trading in real time, the Listing Department is responsible for registering securities and checking that issuers fulfill their information disclosure duties. In addition to its ordinary conventional activities, the department also responds to market demands and legislative developments. Further to these changes, it prepares draft amendments to the PSE's regulations and internal procedures. A classic example was the extensive testing of software changes which accompanied the changeover to trading under conditions imposed on the Exchange by amendments to capital market legislation and related decrees, especially Decree No.105/2001 Coll. on the reporting of trades in investment instruments concluded off the public market. In the securities field, the PSE gave special attention to support bond programmes and the changing requirements for admission of foreign issuers' securities, as well as to fulfilment of pertaining disclosure duties. This culminated in admission of the first foreign share issue (the ERSTE BANK issue) to trading on the PSE's Main Market.

Jiří Opletal
1st Deputy General Secretary
and Director of Trading
and Securities Department



The PSE facilitates trading on three markets:

- the Main
- the Secondary, and
- the Free.

The requirements of the individual markets are specified in the Exchange Regulations.

Admission of an issue to trading on an Exchange market requires an application by the issuer, fulfilment of conditions determined by the Exchange Regulations and the agreement of the Exchange Listing Committee.

The Main and Secondary markets are regarded as prestigious markets, since stricter demands are made on issues traded on these markets and their issuers. By being admitted to these markets the issuer acquires a reputation for openness and flexibility or a willingness to communicate with the investing public.

New Market is an organic part of the Secondary Market which caters for companies with what may very well be a short history but which have a viable business plan. These companies are able to raise financial resources on the capital market by public subscription and use them to promote their further growth and innovation.

By the end of 2002, however, no issue had been admitted to this market.

Securities meeting the requirements of the Securities Act can be admitted to trading on the Free Market without the Exchange imposing any other duties on the issuer.

Disclosure duties of issuers

• Free Market

The Exchange Regulations require an issuer whose issue is registered on the Free Market to fulfil information disclosure duties in line with the provisions of the Securities Act. This involves in particular submission of an annual report, including financial statements, half-year reports, information about the convening of general meetings, dividend payments, proposed changes in the issuer's articles of association, statutes or founding deeds and all other facts relating to the issuer which can cause a major 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. These include submission of preliminary trading results, and the sending out of quarterly trading results and minutes of general meetings. Companies registered on the Main Market must in addition submit ordinary financial statements compiled in accordance with International Accounting Standards (IAS). All information, apart from original or notarised copies of documents, is sent to the PSE electronically. After information about securities issues and issuers has been checked, it is distributed in real time to member firms and the news agencies.

In 2002, the PSE systematically monitored issuers' fulfilment of their disclosure duties and during the year imposed four sanctions:

- 3 non-public reprimands, and
- a CZK 100,000 fine

Changes in the Exchange Regulations

Amendments to the parts of the Exchange Regulations stipulating the Requirements for Admission of a Security to Trading at the Exchange which were carried out in the course of 2002 changed the admission procedure of securities for trading at all Exchange markets. They particularly involved:

- simplification of the admission procedure and trading of issues which were part of bond programmes and bonds with maturity shorter than one year (short-term bonds),
- simplification of the admission procedure for tranches of issues already accepted for trading at the PSE,
- simplification of the admission procedure for foreign securities,
- adjustment of the disclosure duties of foreign issuers.

Bond programmes

An issuer can put out issues as part of bond programmes. These allow admission of bond issues on the basis of joint issue terms at a given time - up to the agreed value of unpaid bonds.

In 2002, the Exchange Listing Committee approved the following bond programmes:

Issuer	Total approved value of the bond programme	Duration
Česká spořitelna, a.s.	CZK 10 billion	15 years
Český Telecom, a.s.	CZK 20 billion	15 years
Českomoravská hypoteční banka, a.s.	CZK 30 billion	10 years

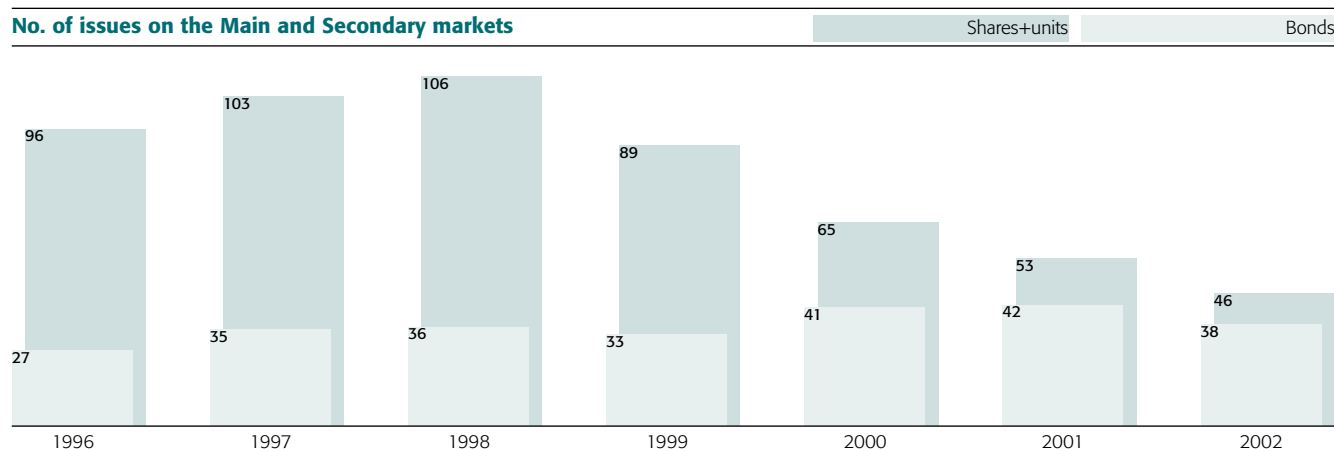
Number of securities

Securities traded as at 31 December 2002:

	Shares	Bonds
Main Market	5	20
Secondary Market	41	18
Free Market	33	36

46 issues were withdrawn from the Exchange markets during the year, mostly because the bond issues were paid-off. However, 8 share issues had to be withdrawn because they no longer met the registration requirements under the Securities Act, mainly as a result of the issuer's lower market capitalisation or insufficient spread of the issue among public. All unit and investment funds also left the Exchange in connection with the obligatory transformation to open-end unit funds. In four cases, the registration was cancelled at the issuer's request based on a ruling of company body and in line with the requirements of the Commercial Code.

No. of issues on the Main and Secondary markets



The PSE's activities in 2002

Trading

Trading in 2002 took place on 250 Exchange sessions without any serious technical problems. Even during the August floods, when trading was transferred to a reserve workplace, the Exchange continued to operate without interruption and no major technical problems were encountered. The PSE offered members an amended schedule of Exchange sessions and an opportunity to take part in trading at the reserve Automated Trading System (ATS) and trading continued without any complications even in such difficult conditions.

Trading in 2002 was different from trading in the previous year, especially the method used to register block trades, where a PSE member represents one party and the counter-party is a person who is not a PSE member. This change was in response to Decree No.105/2001 Coll. on the reporting of trades in investment instruments concluded off the public market, which came into force on 1 April 2002. On the same date the Exchange Chamber approved an extensive amendment to

the Exchange Regulations which reacted to the Decree's individual provisions. The changes in the method of registration of trades required an amendment to the Tariff of Exchange Fees which now includes a fee for registration of a block trade and a fee for settlement of a block trade.

On 1 January 2002, the PSE began publication of a new structure of the price list which better reflects international custom and practice and differentiates between trades concluded on the Exchange and trades registered at the Exchange. The publication of trading results in a new form followed completion of one of the most important projects of 2001 – introduction of a standardised database with the aim of centralising trading and statistical data.

The most important event on the share market in 2002 was admission of the first foreign share issue (the ERSTE BANK issue) and the opening of trading in it on October 1. Admission of the ERSTE BANK issue was preceded by the ending

of trading in the ČESKÁ SPOŘITELNA share issue in August 2002. Following the opening of SPAD trading in the ERSTE BANK issue, from 1 October 2002 settlement of trades concluded as part of automated trading and SPAD trades concluded by market makers was standardised at T+3, where T is the day the trade was concluded.

Another major step, designed to support the liquidity of SPAD-traded shares, was the change in the Tariff of Exchange Fees for 2003 which reduces the minimum rate of the fee for the market maker's organisation of SPAD trades from CZK 350 per trade to CZK 200.

In 2002 Exchange members could conclude trades as part of Automated trades:

- the auction regime
- the continual regime
- SPAD

Block trades:

- member to member
- member to non-member

Compared with previous years trading was simpler in 2002, with securities included in only three trading groups and the possibility of concluding the following types of trades:

Trading group	Type of Exchange trade	Type of securities issues
1	- Automated trades (auction and continual regimes) - Block trades	All book-entered securities, except issues traded in SPAD
2	- Automated trades (auction regime) - Block trades	All certificated securities
3	- SPAD - Automated trades (auction and continual regimes) - Block trades (over-the-limit and member to non-member)	Securities in the SPAD system

PSE indices

During 2002, more changes were made to the Principles Governing Updating of the PX 50 Index Base. In August the Exchange Trades Committee approved a new version which adds two important provisions to the previous version:

1. Issues traded in SPAD can also be included in the PX 50 Index base outside the times of the regular half-yearly updates.
2. It introduces the principle of reducing the weight of base issues. On the dates decisive for periodic updating (June 15 and December 15) and on days when it is decided to include SPAD-traded issues in the index base, the issue's share in base market capitalisation may not exceed 20%. Where this limit is exceeded, the number of securities in the relevant issue is reduced when the index is calculated.

The most important change made in the PX 50 Index base during 2002 was in line with approved changes to the

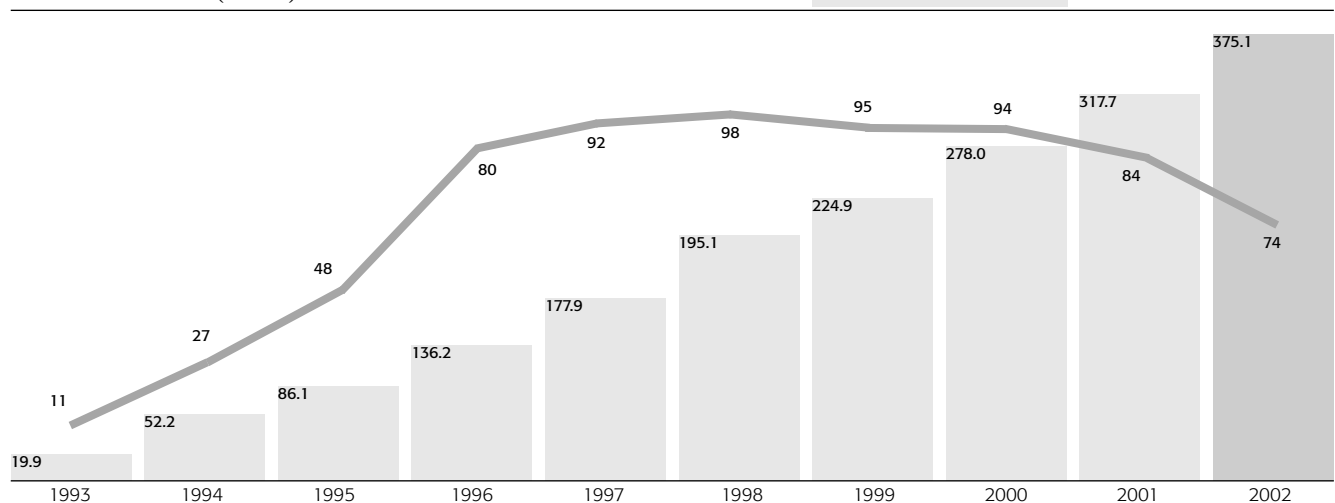
Principles the inclusion of the ERSTE BANK foreign issue in the index base w.e.f. October 2 and the reduction of weights in base issues. During the year, there were further reductions in the number of base issues. At the start of the year the base consisted of 37 issues, while in the second half of the year (before inclusion of the ERSTE BANK issue) there were 28 issues, and from 2 January 2003 the number had fallen to 18. In the first half of 2003 the reduced number of securities in the ERSTE BANK, ČESKÁ SPORITELNA and KOMERČNÍ BANKA issues is being used when the index is calculated.

In 2002, there were two changes in the base of the PX-D Index, which consists of SPAD-traded issues. W.e.f. June 4 the ČESKÁ SPORITELNA issue was withdrawn from the base because it was no longer traded in SPAD and it was subsequently excluded from trading on the PSE. The base was enlarged on October 2 by inclusion of the ERSTE

BANK issue. At the beginning of 2003 the PX-D Index base consisted of the following seven issues: ČESKÉ RADIOKOMUNIKACE, ČESKÝ TELECOM, ČEZ, ERSTE BANK, KOMERČNÍ BANKA, PHILIP MORRIS ČR and UNIPETROL. In 2002, these issues accounted for 95% of the total value of the share market's pricing trades and at the end of 2002 close to 76% of the shares market capitalisation.

During 2002, there was a further reduction in the number of sector indices. Because of an insufficient number of base issues, the BI19 - Others Index was closed down on June 11, the BI05 - Production of Textiles, Wearing Apparel and Leather Index on August 29, and the BI18 - Investment Funds Index on September 19. At the beginning of 2003 the PSE was calculating 11 sector indices. The base of the PX-GLOB Index consisted of 79 issues.

Total nominal value (CZK bn) and no. of bond issues



The PSE's activities in 2002

Evaluation of the 2002 trading results

At CZK 1,793.1 billion (a daily average of CZK 7.172 billion), the total value of trades was the second highest figure ever and a fall of 9.8% on the record year of 2001.

The third quarter was the most successful, with securities worth CZK 535.7 billion traded (29% of the total yearly value), while the least successful quarter in value terms was the second, when securities worth CZK 377.1 billion were traded. While the annual value of trades on the bond market at CZK 1,595.7 billion represented a year-on-year fall of 14.1%, the value of shares and units traded rose sharply by 53.3% to CZK 197.4 billion. The percentage of shares and units in the total value of trades therefore rose from 6.5% in 2001 to 11% in 2002.

Share and unit market

The total value of trades rose to an annual figure of CZK 197.4 billion, 53.3% higher than the 2001 figure of CZK 128.8 billion. In every month

of 2002 the volume of trades exceeded the corresponding monthly figure for 2001. The SPAD trading segment accounted for 68.3% of the total value of shares and units traded, block trades for 28.9%, the continual regime for 2.7% and auction trades for 0.15%.

Prices on the share market also rose. The cross-sectional share indices also improved significantly. The official PX 50 Index value rose by 16.75%, the PX-GLOB Index by 17.0% and the PX-D Index by 9.5%. The reason for the rises was mainly higher share prices in the financial sector, where the BI15 Index rose by 54.6%. The price for the KOMERČNÍ BANKA issue rose year-on-year by 100.6% and, with a 38.9% share of the total value of trades on the share and unit market, it became the most traded issue. Of the other main capitalised sectors, Power Generation improved by 30.7% and Beverages and Tobacco Production by 39.2%. On the other hand, telecommunications titles had an

unsuccessful year, as the 32.7% fall in the Transport and Communications sector index testifies.

Market capitalisation rose year-on-year by 40.5% - at the end of 2002 it reached CZK 478.0 billion (including market capitalisation of the foreign issue of ERSTE BANK of CZK 120.1 billion). Number of issues dropped from 102 (at 28 December 2001) to 79 (at 30 December 2002).

Bond market

At CZK 1,595.7 billion, the total value of trades in 2002 fell by 14.1% as against 2001. As in the previous year, state bonds accounted for most of the value of trades (82.9%). Corporate bonds accounted for 7.6%, bank bonds for 7.5%, mortgage debenture bonds for 1.6% and municipal bonds for 0.5% of the total value of bonds traded during the year. Market capitalisation rose year-on-year by 16.6% from CZK 319.4 billion at the end of 2001 to CZK 372.5 billion at 30 December 2002.

Value of trades in 2002 by the type of the market and security

		Bonds		Shares		Units		Total	
		Value (CZKbn)	No. in thousands	Value (CZKbn)	No. in thousands	Value (CZKbn)	No. in thousands	Value (CZKbn)	No. in thousands
Main Market	ST	0.009	1	63.428	263,442	0.000	0	63.436	263,443
	OT	1,453.027	126,147	111.251	517,803	0.000	0	1,564.278	643,950
	Total	1,453.036	126,148	174.679	781,245	0.000	0	1,627.714	907,393
Secondary Market	ST	0.000	0	3.108	9,216	0.000	0	3.108	9,216
	OC	65.640	2,787	3.494	10,972	0.000	0	69.134	13,760
	Total	65.640	2,787	6.602	20,188	0.000	0	72.242	22,975
Free Market	ST	0.006	0	5.467	614	0.002	2	5.475	616
	OT	76.992	5,786	10.641	2,052	0.006	4	87.639	7,842
	Total	76.998	5,786	16.108	2,666	0.009	6	93.115	8,458
Total	ST	0.014	1	72.003	273,272	0.002	2	72.020	273,275
	OT	1,595.659	134,720	125.386	530,827	0.006	4	1,721.052	665,551
	Total	1,595.674	134,721	197.389	804,099	0.009	6	1,793.071	938,826

ST = system trades which include automated trades (auction + continual regime) and trades concluded in SPAD with market makers' duties

OT = other trades by Exchange members which include trades in SPAD without market makers' duties and block trades

Settlement

As in previous years, settlement of all trades concluded on the Prague Stock Exchange was arranged in 2002 by UNIVYC, a.s.

It arranges financial settlements through payment orders sent to the Czech National Bank's Clearing Centre, which in 2002 accounted for close to 154,000 orders worth a total of CZK 3.378 billion. This figure represents a 99.32% share of all trades settled on the Czech capital market. Almost 50% of this figure is accounted for by Exchange trades. In the case of the reserved loan of securities service, UNIVYC managed to maintain an adequate quantity of all SPAD-traded securities, which helped to increase the number of loans by almost 40% as compared with the previous year. UNIVYC is also responsible for managing financial resources concentrated in the Exchange's Guarantee Fund. Even though there was a modest increase in the fund's average daily balance for automated trades and the SPAD fund compared with the previous year, the trend in recent years towards reduced

yields continued as a result of the further decline in bank interest rates.

During 2002, UNIVYC arranged settlement of 29 primary issues worth a total of more than CZK 100 billion and paid out yields on eight certificated security issues. As in previous years, Komerční banka, a.s.' depository was authorised to act as the depository of certificated securities.

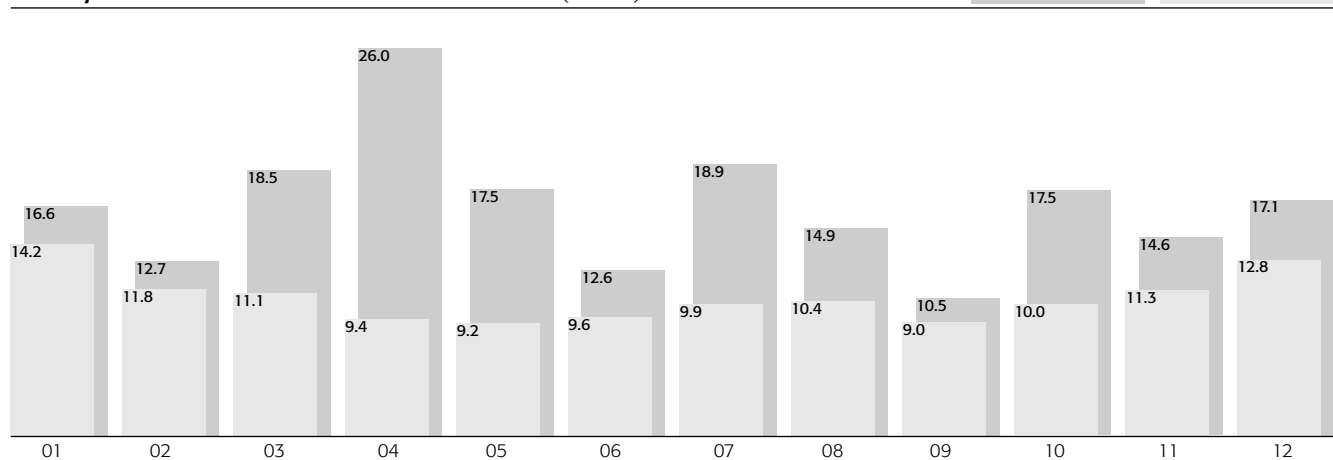
Based on a request by its members, the development department, in cooperation with the PSE, completed a project for settlement of trades in T+0 which was divided into two stages. In the first stage, which began in January 2002, UNIVYC allowed members to settle only block trades and off-Exchange transactions of the "delivery free of payment" (DFP) type. The second stage dealt with settlement of the "delivery against payment" (DAP) type of transactions. Since February 2003 it has been possible to settle suspended transfers of block and off-Exchange trades and

transactions in T+0, including suspended SPAD transfers.

At the beginning of the year, UNIVYC and the PSE worked out a more detailed system of reporting settlement of off-Exchange transactions to the Securities Commission introduced in connection with the Czech Ministry of Finance's Decree No.105/2001.

As at 1 April 2002, the PSE and UNIVYC fees policy was changed. Fees for trading billed by the PSE were separated from settlement fees billed by UNIVYC when the amount of fees for settlement of block trades and off-Exchange trades and transactions were unified. Although UNIVYC has been linked to the Clearstream foreign clearing centre since 2000, active use of its transfer services during settlement of trades in foreign securities only began in October 2002. UNIVYC also introduced loans of foreign securities simultaneously with this service.

Monthly trade value in 2001 and 2002 - shares+units (CZK bn)



The PSE's activities in 2002

Information and Trading System

In 2002, the IT Department continued to develop the services offered by the PSE and UNIVYC by tackling a whole series of projects and adapting PSE, UNIVYC and members' software. The main adjustments were linked to implementation of Decree No. 105/2001 Coll. and involved setting up a sub-register for jumbo bonds and foreign securities and registration and settlement in T+0. The department's other activities included adjustment of the Guarantee Fund's SW, part of the technical support for settlements in the Euro, arranging a new system of communications with the Czech National Bank's Clearing Centre, a new method of calculating aliquot interest yield (AIY), extending the possibilities of suspending securities trading and registration, web applications allowing information to be distributed in real time (eATS), updating the PSE's web pages, further development of the internal information system and a whole series of partial adjustments to the trading and settlement system. In terms of technology, two key projects were realised – the internal network's changeover to the Ethernet protocol and replacement of the AS/400 computer systems.



Miroslav Prokeš
Director of IT Department

Introduction of a sub-register for foreign securities and bonds allowed UNIVYC to keep records of the owners of these securities in much the same way as the Securities Centre (SC) does in the case of local book-entered securities, i.e. by the end owner. Communication between the securities' owners and UNIVYC is maintained through members of the PSE and UNIVYC. The whole project was designed and realised with the aim of minimising the adjustments to members' systems. The solution devised allowed trading and settlement of the first foreign share title, the ERSTE BANK issue, which is not recorded at the SC, to be opened in the second half of the year.

Realisation of the Decree 105/2001 Coll. project allowed PSE and UNIVYC members to meet their obligations under this decree and to register off-Exchange trades for settlement in the PSE's automated trading system (ATS). To comply with the requirements of the Securities Commission (SeC), the project involved extensive adjustments to members' systems in order to improve the effectiveness of capital market supervision.

Settlement of trades in T+0 allowed PSE members to register transactions in ATS by 11 a.m. for settlement on the same day. The project was implemented in two stages. In the first stage support was created for DFP settlements and in the second stage for DAP settlements.

Like the clearing banks, in 2002 UNIVYC went over to a new method of communication with the Czech National Bank's Clearing Centre which meets the requirements for the transferred data's confidentiality and integrity, authentication of the sender and incontrovertible responsibility for the data sent. Communications with the Czech National Bank are fully integrated into the settlement system. Software supporting inspection activities was created in 2000 and is constantly being developed. In 2002, functions were added which automatically indicate simple cases where a breach of the Exchange Regulations or the legal requirements is suspected. These greatly improved the effectiveness of inspection work and more SW will be developed which continues in this direction.

In 2002, calculation of aliquot interest yield (AIY) was also unified with the system used by the Bloomberg agency, which arranges the largest number of bond trades.

The complete changeover of the internal network's technology to the Ethernet protocol at the end of 2002 required the purchase of new active components from the firm CISCO, new network cards and the difficult process of changing the configuration of all equipment connected to the PSE's network. The changeover took place gradually over several weekends without any adverse effects on the trading and settlement schedule.

The Exchange's Inspection Activities

Introduction of the new system significantly improved the internal network's transmissivity (G-bits capacity), opened up the possibility of larger capacity connections to the main and reserve workplaces and created conditions for further development of the PSE and UNIVYC communication systems.

Because of the moral and technological obsolescence of the AS/4000 computer systems, new iSeries computer systems were bought at the end of the year. Preparatory work to replace the AS/400 computer systems started midway through 2002. Based on a thorough analysis, the requirements were specified and, in consultation with the supplying firm IBM, a variety of solutions were considered. The result was a proposal for the supply of two IBM iSeries computers. The new systems can be further developed and, if necessary, their performance increased or other system resources (memories, discs etc.) added. Delivery also included modernisation of the obsolete magnetic band back-up system.

In 2002, the Inspection Department's methods of work were further stabilised and standardised. Its staff concentrated above all on developing the control functions of inspection software and improving its reliability and effectiveness. Procedures for checking observance of professional care and insider trading were greatly improved. Emphasis was put on the continual exposure of transactions suspected of breaching the Exchange Regulations and prompt communication with members so that they could rectify the established shortcomings and minimise their harmful consequences. In material terms, the department's staff aimed especially at checking observance of the principles governing the treatment of customers and of the trading rules and preserving the material basis of trading on the Exchange, since failure to comply with these could jeopardise the settlement of trades concluded on the Exchange or endanger other PSE members.

In 2002, the Department carried out 11 detailed, 10 repeat and 31 operational inspections during which more than 900 trades suspected of breaching the regulations were investigated. In the case of more than another 1,000 trades, the department staff also sent out a member's questionnaire and analysed internally almost 2,900 trades suspected of breaching the regulations. In line with its development strategy, the Department strengthened the request's importance immediately before inspection work started by allowing inspection staff closer contact with individual members. This is also confirmed by the increase in the number of investigations conducted in the form of operational inspections or requests for information. Based on the Department's findings, 24 administrative proceedings were opened in the period under review, during which the Exchange Chamber imposed 27 sanctions, including five reprimands, and 22 fines totalling over CZK 1 million. In five cases no sanctions were imposed and the members received a letter drawing their attention to the fact that the Exchange Regulations had been breached and requesting that the shortcoming be rectified.



Vladimír Skalný
Director of Inspection Department

The PSE's activities in 2002

The most frequent sanction imposed was for breaches of the Membership Rules (30 sanctions), regulations governing the method of trading on the Exchange (18 sanctions) and the Rules governing the keeping of records of instructions and transactions in securities and other non-securities investment instruments or other capital market instruments (17 sanctions). In certain cases aggregated sanctions were imposed because more than one rule had been breached.

In 2002, work continued on developing inspection SW based on the experience and knowledge gained during inspection work. Care was taken especially to make individual control functions more precise and bring them into line with the latest changes in trading. Emphasis was also put on improving the system's reliability and keeping mistakes to the minimum. In terms of development projects, work continued on the analysis of new functions designed to reveal cases of breaches of the rules on professional care during the supply of services to customers.

A significant moment in the department's work was when new inspection SW functions came into operation in the form of automated processing of records of instructions and members' trades and comparison of these with the specifications of orders and transactions recorded in the PSE's trading system. This led to

a substantial improvement in the inspections' effectiveness, mainly in revealing shortcomings in the principles governing conduct towards customers, observance of the trading rules and the keeping of records of instructions and transactions.

In the following period inspectors concentrated on further development of SW supporting and improving control procedures for checking observance of the rules on professional care and insider trading. Emphasis will be put on the continuous detection of transactions suspected of breaching the Exchange Regulations and prompt communication with members so that the discovered shortcomings can be rectified. The department's work will also continue to focus on prevention.

The PSE opened 2002 with 34 members, including 14 companies of the banking type. During the year four companies decided to end their membership. One of them transferred its membership to a new member. Based on the law, the Czech Republic through its Ministry of Finance became another new member w.e.f. 1 July 2002. Four companies changed their legal form to joint-stock companies. On 31 December 2002, the PSE had 32 members.

The PSE's Information and PR Policy

The PSE in 2002 continued to develop its internet pages as its main instrument for informing the broad domestic and foreign investing public about activities at the Exchange. The interest in the PSE's web pages, which are the most popular and at the same time the most extensive source of information about the PSE for the broader investing public, continued to grow. The PSE also expanded its information on trading, listing and statistics and simplified data search and, on the technical side, brought it into line with current trends in the development of internet applications. The Exchange immediately informed the media of all of its major activities through its press releases, including regular statistics summaries of trading results. The sale of Exchange information remains a significant aspect of the department's work and this led to a marked increase in income in 2002 thanks to changes in the PSE's contractual relations with the major agencies and the growing number of their clients.



Vladimír Ezer
Deputy General Secretary
and Director of Service Department

Exchange information

The PSE provided media representatives with regular (weekly, monthly, quarterly and semi-annual) statistics summaries of its trading results. All major developments relating to its activities in the field of listing, trading, settlement etc. were sent to representatives of the media in the form of press releases. In 2002, the PSE published 43 press releases which were subsequently made available to the investing public as news items. Less important developments were dealt with only as news items and published on the PSE's internet pages. Almost all of these materials were prepared in Czech and English versions.

The PSE paid great attention to further developing its internet pages. The Exchange began to prepare a "new look" web-site at the end of 2002 and this was made available to the investing public in February 2003. One of the change's principal aims was to use higher resolution to enable greater differentiation while preserving the existing features and colours. The new drop-down menu allowed faster access to any of the web-site's pages. The internet pages were further supplemented by the addition of a PSE ticker tape which appears on every page of the web-site and gives information about the course of trading in the SPAD segment. The web-site's structure was also improved by the inclusion of two separate chapters: Indices, which was originally part of the Trading section, and Statistics, originally part of the Results section.

In terms of sales of Exchange information, there was a distinct rise in income, despite the fall in the number of companies who are contractually obliged to subscribe to it. In 2002, there was a further fall in the number of end-users and three providers of Exchange information with off-line connection to the PSE's information system also gave notice of withdrawal from their contracts. The major agencies, however, recorded an increase in the number of their clients and this was reflected in the PSE's higher income from this service as against previous years.

On 1 January 2002, the PSE began publishing information supplied at the close of the Exchange day in a new form. This corresponds more to international custom and practice and separates information on trading from information about securities and helps to improve the information's presentation.

Foreign relations

During the year the PSE regularly participated in meetings of FESE working groups. Attention was paid above all to discussion of the proposed new European directives on capital and financial markets. Cooperation continued on publication of the central European CESI index which was included in the services offered by Reuters and several other world-wide agencies. Bilateral cooperation with other stock exchanges in central Europe continued on various occasions. Foreign cooperation was motivated by the desire to gain information about globalisation trends in Europe and the attitudes of individual exchanges to this process.

Employment policy

In terms of personnel policy, the PSE continued developing its employees' language skills by providing language courses and encouraged its staff to improve their professional expertise, mainly by attending local courses and seminars. The PSE continued to contribute to the cost of staff health care and supplementary pension and life insurance schemes. The PSE also made it possible for its staff to take part in free sporting activities at the selected sports facilities. In April the PSE organised a two-day out-of-Prague staff meeting at Hrubá Skála near Turnov, which was accompanied by a wealth of sporting and cultural events. The end of the year was marked by a Christmas party.

The Exchange Bodies

The Exchange Chamber

The Exchange Chamber is the PSE's statutory body which directs its work and acts in its name. As required by its plan of activity, the Exchange Chamber met at a total of 12 meetings during 2002.

Composition of the Exchange Chamber as at 1 January 2002

Chairman

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

Vice-Chairman

Dušan Baran
Česká spořitelna, a.s.

Members

Zdeněk Bakala
Patria Finance, a.s.

Jan Blaško
Česká pojišťovna, a.s.

Petr Bodnár
Body International Brokers, a.s.

Pavel Hollmann
Prague Stock Exchange

Tomas Spurny
Komerční banka, a.s.

Jan Sýkora
Wood & Company, s.r.o.
(at 1 February 2002 the company's name and legal form was changed to WOOD & Company Financial Services, a.s., a joint-stock company)

Tomáš Ševčík
Harvardská burzovní společnost, a.s.

Jan Vinter
Všeobecná úverová banka, a.s.
pobočka Praha

Changes in the Exchange Chamber during the year

Zdeněk Bakala
On 8 March 2002 resigned from the Exchange Chamber.

Michael Jasanský
On 8 March 2002 elected to the Exchange Chamber and on 4 April 2002 elected its Vice-Chairman.

George Jedlička
On 8 March 2002 resigned from the Exchange Chamber and the post of Chairman of the Exchange Chamber.

Dušan Baran
On 4 April 2002 elected Chairman of the Exchange Chamber.

Tomas Spurny
On 13 May 2002 resigned from the Exchange Chamber.

Peter Palečka
On 29 May 2002 elected member of the Exchange Chamber.

Jan Vinter
On 12 June 2002 resigned from the Exchange Chamber.

Viliam Ostrožlík
On 12 June 2002 elected member of the Exchange Chamber.
On 31 October 2002 resigned from the Exchange Chamber.

Jan Blaško
On 31 July 2002 elected Vice-Chairman of the Exchange Chamber.

Composition of the Exchange Chamber as at 31 December 2002

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: member of the Board of Directors and Financial Director

Vice-Chairmen

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: Vice-Chairman of the Board of Directors

Michael Jasanský

Patria Finance, a.s. – shareholder representative

Date of birth: 19 January 1967

Education: Charles University, Czech Technical University

Current post: Chief Executive Officer

Members

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

On 28 February 2003 resigned from the Exchange Chamber.

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

Peter Palečka

Komerční banka, a.s.
– shareholder representative
Date of birth: 3 November 1959
Education: University of Economics,
Bratislava
Current post: member of the Board
of Directors nad Deputy Managing
Director

Jan Sýkora

WOOD & Company Financial Services,
a.s. – shareholder representative
Date of birth: 18 January 1972
Education: University of Economics,
Rochester Institute of Technology
Current post: Chairman of the Board
of Directors

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
(until 24 February 2003)
*At 28 May 2003 resigned from the
Exchange Chamber.*

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.

In 2002, the Supervisory Board's
composition did not change.

Chairman

Věslav Michalík

CA IB Securities, a.s. (until 31 January
2003), HVB Bank Czech Republic, a.s.
(from 1 February 2003) – shareholder
representative
Date of birth: 1 March 1963
Education: Czech Technical University,
Faculty of Nuclear Physics
Current post: member of the Board
of Directors

Members

Martin Aschenbrenner

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

Miroslav Fučík

Union banka, a.s. – shareholder
representative
Date of birth: 27 April 1954
Education: Mining University, Ostrava
Current post: Deputy Managing Director
(until 31 December 2003)

Jiří Klumpar

GE Capital Bank
Date of birth: 9 May 1956
Education: Czech Technical University,
Faculty of Nuclear Physics
Current post: Vice-Chairman
of the Board of Directors

Jan Struž

ING Bank N.V. organisational unit
Date of birth: 5 May 1949
Education: University of Economics
Current post: Managing Director
(until 31 December 2002)

Petra Wendelová

ERNST & YOUNG Česká republika k.s.
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,
Česká pojišťovna, a.s.

Vice-Chairman

Petr Valenta, Česká spořitelna, a.s.

Secretary

Josef Marek, Burza cenných papírů
Praha, a.s.

The Exchange Membership Committee
met twelve times in 2002. The
Committee's main aim was to foster the
transparency of trading and support the
Exchange's analytical inspection activity.
Demands made on member companies
also grew, especially with the aim to
increase the protection of investors.

In 2002, the economy of member
companies distinctly increased - this was
also reflected in the quality and extent
of observation of the disclosure duties.

The Committee also tackled the issue
of setting economic indicators providing
adequate information which would not
be more demanding in terms
of administrative procedure and, at the
same time, would provide a guarantee
that membership duties are being
fulfilled. The resulting requirement for

The Exchange Bodies

a continually kept capital adequacy and the limit of liquid funds as the conditions for membership guarantees that obligations arising from concluded trades are properly fulfilled.

Amendments to the Exchange Regulations were discussed and their practical impact evaluated at over half of the meetings. The Committee assessed a total of five draft amendments to the Exchange Regulations linked to the amendments of laws governing the capital market and other changes in membership requirements and inspection activities.

The Committee also discussed breaches of the Exchange Regulations and proposed the opening of 22 administrative proceedings for which it prepared draft rulings. Based on the drafts, the Exchange Chamber imposed 23 sanctions for 52 breaches of the Exchange Regulations. In 17 cases, aggregate sanctions were involved.

The Committee also discussed the developments in the membership and shareholder structure. It noted the withdrawal of seven companies from the Exchange. Based on Act No. 211/2002 the Czech Republic became the PSE's new member through the Ministry of Finance. As at 1 February 2002 membership of Wood & Company s.r.o., ceded to WOOD & Company Financial Services, a.s, and at 1 January 2003 membership of the Czech Republic's National Fund ceded to the Czech Consolidation Agency.

The Committee also discussed nine transfers of PSE shares. Patria Finance, a.s., is the PSE's largest shareholder holding more than 17% of its registered capital (at 1 January 2003). A total of 19.13% of the PSE's shares changed owner. The General Meeting in June 2002 decided on the reduction of the PSE's registered capital by CZK 1.9 million to CZK 383.048 million. Number of shareholders declined to 52 (by one company) at 1 January 2003.

The Exchange Trades Committee

Chairman

Jan Sýkora

WOOD & Company Financial Services, a.s.

Vice-Chairman and Secretary

Jiří Opletal

Prague Stock Exchange

During the year, the Committee met whenever the needs of the market required. A regular item on its agenda was information on the trading results achieved in the previous period.

In the first months of 2002, the Committee concerned itself especially with changes in the part of the Exchange Regulations governing trading and settlement which were brought about by when the Decree No. 105/2001 Coll. became effective. Subsequently to these changes, the Committee discussed and in January 2003 submitted for approval adjustments in the Tariff of Exchange Fees.

In the first half of 2002, the Committee, in cooperation with the Exchange Listing Committee, discussed changes in the Exchange Regulations in the part Stock Events. In May, the changes were submitted to the Exchange Chamber for approval. In collaboration with the Czech Bond Traders Club, the Committee prepared for discussion and approval an amendment to the part of the Exchange Regulations dealing with the determination of bond reference prices.

In the summer months, the Committee concerned itself with the Principles of PX 50 Index Base Updating and with unification of settlement term in the case of trades concluded as automated trades and of trades in SPAD to T+3. The term was unified on 1 October in connection with the opening of trading of the ERSTE BANK share issue in SPAD.

The Committee also tackled adjustment of trading parameters in the case of issues included in SPAD trading, other changes in the Tariff of Exchange Fees, new AIY calculation method for bonds and the possibility of admission of and trading in securities in EUR.

In November, the Committee submitted to the Exchange Chamber an amendment to the Trading Rules Applicable to SPAD stipulating unequivocally closing price of the security included in SPAD.

The Exchange Listing Committee

Chairman

George Jedlička (January – March)

Pavel Hollmann
Prague Stock Exchange
(from 4 April)

Vice-Chairman

Pavel Makovec
Kerford Investments, s.r.o.

Secretary

Eva Štrupová
Prague Stock Exchange

In 2002, the Exchange Listing Committee met regularly once a month, with the exception of July and August.

The Committee took an active part in the preparation of the Exchange Regulations, in parts Requirements for Admission of a Security to Trading. The admission procedure and trading of issues put out as part of bond programmes and bonds maturing in less than one year (short-term bonds) were simplified, as well as the admission procedure for tranches of issues already admitted to trading on the Exchange. The amended Exchange Regulations were approved by the Exchange Chamber at its May meeting.

In the second half of the year, the Exchange Regulations' amendment was being completed in connection with the prepared trading of foreign issuers's securities. It allowed issuers to fulfil their information disclosure duties in English and with respect to their obligations to a foreign Exchange.

The Exchange Chamber approved a change in the Committee's Working Rules. It authorised the Committee to decide on the admission of securities to Exchange trading with effect from April 2002 based on a voting "per rollam". Six bond issues were admitted to trading on the Exchange in this way.

The Committee also discussed and approved applications for admission of securities to trading. Two tranches of issues and six bond issues were admitted to the Free Market; five bond issues and one tranche of share issue were admitted to the prestigious Secondary market. In compliance with the amendment to the Exchange Regulations the prospectus and terms of issue for three bond programmes were approved.

For the first time in the Exchange's history, shares of a foreign issuer were admitted to trading. On 24 June 2002 the Committee decided to admit ordinary shares of Erste Bank der oesterreichischen Sparkassen AG to the Main Market. A bond issue of the European Investment Bank issued as part of an approved bond programme was also admitted to the Main Market, as well as one tranche of share issue.

The Committee continued its regular monitoring of observance of the disclosure duties by issuers admitted to trading on the Main and Secondary markets and of observance of the disclosure duties as required by the Securities Act also by companies traded on the Free Market. Imposition of sanctions was proposed in the case of four companies which breached the Exchange rules.

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 in investment instruments. The disputes are usually judged by independent arbitrators as required by arbitration regulations (Act No. 216/1994 Coll.). In its decision-making and organisational activities, the EAC is fully independent. It composed of the EAC Council, persons entered in the List of Arbitrators and the EAC Secretary.

EAC Council

Chairman:

Václav Školout

Vice-Chairmen:

Vladana Vališová

Karel Muzikář

Members:

Milan Bakeš

Vít Horáček

Josef Měchura

Jaroslav Vansa

Comments on Economic Results

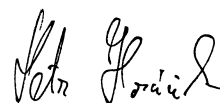
In 2002, the Exchange achieved the highest operating profit in its history. However, total result was affected by the revaluation of assets which was carried out in connection with the Exchange's development strategy adopted by the Exchange Chamber in 2002. Part of the strategy is the Exchange's participation in the sale of its ownership interest in the Exchange Palace. In agreement with an auditor's recommendation, the ownership interest was revalued in 2002 on the basis of an expert's assessment. The difference between the price stated in the expert's assessment and the book value represents a loss for which a tax-undeductible provision of CZK 172,212,000 was created, as well as a reserve of CZK 11,885,000 for the sale of the Exchange Palace building, in line with the accounting procedures.

Revaluation of the Exchange's ownership interest thus resulted in a loss of CZK 123,565,000 in 2002. Disregarding the accounting influence of the revaluation, the Company's profit before tax totalled CZK 63,109,000. Higher number of trades, and as a result, higher

income from fees and services related to settlement, and revenue from the sale of information, accounted for major part of the result. In 2002, the trend of reducing costs and simultaneous observation of cost-efficiency measures continued. The adopted measures resulted in a 19% cost reduction compared with 2001. Overdue receivables dropped year-on-year by 11.5% as a result of consistent measures. The Exchange's ability to function in crisis situations was tested in 2002 by the August floods which confirmed:

- the performance capability of the reserve workplace, and hereby the efficiency and substantiation of the costs incurred,
- sufficient construction endurance of the Exchange Palace; the damage to the Exchange's property totalled CZK 327,000 of which 90 % was compensated on the basis of insurance contracts, and 10% were born by the PSE (as percentage deductible),
- organisational readiness of the Exchange's and UNIVYC's staff to secure activities related to trading and settlement.

From the economic standpoint, the Exchange can be characterised as a sufficiently strong company which is able to finance its development targets from its own resources, including funding of adequate high level of technology which is necessary for state-of-the-art technical platform for trading and settlement.



Petr Horáček
Director of Finance
and Administration Department

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

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

	2002		2001	2000	1999	1998	1997	1996	1995
	without revaluation	incl. revaluation							
Return ratios									
Return on total assets	0.109	x	0.041	0.058	0.019	0.023	x	0.017	0.009
Return on equity	0.116	x	0.046	0.073	0.025	0.034	x	0.027	0.015
Return on registered capital	0.167	x	0.058	0.088	0.029	0.038	x	0.031	0.017
Return on liabilities	2.541	x	0.523	0.303	0.075	0.078	x	0.048	0.022
Financial stability indicators									
Financial independence	0.943	0.886	0.896	0.796	0.741	0.685	0.623	0.636	0.591
Long-term loans	0.943	0.886	0.920	0.885	0.922	0.950	0.939	0.997	0.914
Interest coverage	x	x	7.85	4.98	1.70	1.47	x	1.55	1.29
Insolvency	0	0	0	0	0	0	0	0	0
Total liquidity	8.32	8.32	7.02	3.35	3.73	5.39	2.75	2.63	1.83
Total debt	0.03	0.05	0.03	0.15	0.21	0.27	0.36	0.34	0.39
Increase, or decrease in short-term financial assets	42,799	42,799	3,854	19,630	24,517	-13,427	-15,367	2,837	9,804

Structure of assets and funding resources, including the influence of revaluation of the Exchange Palace building (%)

	2002	2001	2000	1999	1998	1997
Assets	100.00	100.00	100.00	100.00	100.00	100.00
Fixed assets	60.34	79.31	80.33	84.60	90.06	89.08
including: tangible and intangible fixed assets	60.31	78.44	78.73	82.34	88.34	87.50
financial assets	0.03	0.02	0.02	0.02	0.36	0.34
long-term receivables	0.00	0.85	1.58	2.24	1.36	1.24
Short-term receivables	5.82	3.93	5.35	5.16	4.35	3.77
including: trade receivables	5.82	3.93	4.62	4.86	3.77	3.46
other receivables	0.00	0.00	0.73	0.30	0.58	0.31
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	0.00	0.03
Financial assets	32.41	15.61	13.81	9.77	5.29	6.82
Temporary accounts	1.43	1.15	0.51	0.47	0.30	0.30
Liabilities	100.00	100.00	100.00	100.00	100.00	100.00
Long-term liabilities	88.62	89.64	88.43	90.90	94.23	92.94
including: own resources	88.62	89.64	79.58	74.11	68.51	60.81
bank loans and assistance	0.00	0.00	8.85	16.79	25.39	32.13
long-term liabilities	0.00	0.00	0.00	0.00	0.33	0.00
Short-term liabilities	4.60	5.45	8.53	6.72	3.69	5.67
Reserves	4.73	2.37	1.70	1.25	0.78	0.58
Temporary accounts	2.05	2.54	1.34	1.13	1.30	0.81

The above given indicators are based on the PSE's financial statements which were prepared in line with the Czech accounting standards.

Comment on Economic Results

The PSE's trading result before tax for 2002 (disregarding the influence of the sale of the Exchange Palace) was a pre-tax profit of CZK 63,109,000. Compared with the budget for this period the results was higher by CZK 58,609,000. The value of sales revenues accounted for major part of this positive result: it was CZK 49 950,000 higher against the budget and the costs were lower by CZK 8,659,000. After including the provision for tangible assets (revaluation of the Exchange Palace) and creating a reserve for costs related to the sale of the building, the results will be a pre-tax loss of CZK 120,958,000.

The Company's tax liability resulting from the financial result totals CZK 15,816,000. Deferred income tax calculated from all temporary differences between tax and accounting values in 2002 means that the Company has a deferred tax receivable which is realised only to the amount of the tax payable as at 31 December 2001, i.e. CZK 13,209,000. The final result for the accounting period (after tax) is a loss totalling CZK 123,565,000.

Compared with previous years, revenues and yields dropped, mainly as a result of the continuing fall in revenues from Exchange fees, despite higher volume of concluded trades. The Exchange fees account for 72% 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 to further improve the technology.

Indicator	Budget	Actual state		Actual state	Actual state	Actual state	Actual state
		without revaluation	incl. revaluation				
	2002 CZK 000	2002 CZK 000	2002 CZK 000	2001 CZK 000	2000 CZK 000	1999 CZK 000	1998 CZK 000
Profit (loss) before tax	4,500	63,109	-120,958	33,548	49,607	19,617	18,265
- from operating activities	4,400	60,462	-123,605	33,582	54,778	32,968	47,922
- from financial activities	100	1,156	1,156	-384	-5,244	-13,057	-32,337
- from extraordinary activities	0	1,491	1,491	350	73	-294	2,680
Income tax	4,159	2,607	2,607	12,307	17,238	8,669	3,969
- due	4,223	15,816	15,816	12,215	16,612	6,524	2,543
- deferred	-64	-13,209	-13,209	92	626	2,147	1,426
Profit (loss) after tax	341	60,502	-123,565	21,241	32,369	10,946	14,296

Auditor's Reports

The Annual Report of the Prague Stock Exchange for the year ended 31 December 2002 prepared in the English language represents only a presentation report and as such it does not meet all the requirements set for annual reports in the Czech Republic. The auditing company Deloitte & Touche s.r.o. audited the Annual Report of the Prague Stock Exchange as of 31 December 2002 prepared according to local legislation only in the Czech language and issued an unqualified opinion on this Annual Report.

The financial statements presented in this report represent only a translated summary of the Czech language original of the full set of financial statements prepared in accordance with Czech Accounting Standards. The full version of these financial statements was audited by Deloitte & Touche, s.r.o. The auditor issued an unqualified opinion on these financial statements on 4 April 2003.

Full versions of the financial statements together with audit reports prepared in accordance with Czech Accounting Standards as well as the consolidated financial statements prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2002 are presented in the full version of the Annual Report of the Company prepared in the Czech language only.

Financials

Balance Sheet (in full format) at 31 December 2002 (in CZK thousand)

Row	ASSETS	Order	Actual state in the accounting period				
			2002		2001	2000	
			Gross	Correction	Net	Net	Net
a	b	c	1	2	3	4	5
	TOTAL ASSETS	1	886,958	-504,732	382,226	519,622	559,100
A.	Amounts receivable for subscribed capital	2					
B.	Fixed assets	3	725,865	-495,239	230,626	407,716	440,279
I.	Intangible fixed assets	4	79,198	-72,653	6,545	17,170	29,357
	1. Establishment costs	5					
	2. Research and development	6					
	3. Software	7	79,038	-72,493	6,545	17,170	29,357
	4. Valuable rights (patents, licences, know-how)	8					
	5. Other intangible fixed assets	9	160	-160			
	6. Intangible fixed assets not-in-use	10					
	7. Prepayments for intangible fixed assets	11					
II.	Tangible fixed assets	12	646,567	-422,586	223,981	390,446	410,822
	1. Land	13	71,856		71,856	71,856	71,856
	2. Buildings, halls and structures	14	358,824	-235,092	123,732	304,017	313,369
	3. Machinery, tools & equipment, vehicles and fixtures	15	200,490	-187,494	12,996	14,167	25,597
	4. Perennial crops	16					
	5. Breeding and draught animals	17					
	6. Other tangible fixed assets	18					
	7. Tangible fixed assets not-in-use	19	15,397		15,397	406	
	8. Prepayments for tangible fixed assets	20					
	9. Adjustments to acquired assets (goodwill)	21					
III.	Financial investments	22	100		100	100	100
	1. Shares and ownership interests in subsidiaries	23	100		100	100	100
	2. Shares and ownership interests in associates	24					
	3. Other securities and ownership interests	25					
	4. Intercompany loans	26					
	5. Other financial investments	27					
	6. Financial investments not-in-use	28					
	7. Prepayments for financial investments	29					
C.	Current Assets	30	155,655	-9,493	146,162	105,931	115,993
I.	Stocks	31					
	1. Materials	32					
	2. Work-in-progress and semi-finished products	33					
	3. Finished products	34					
	4. Livestock	35					
	5. Purchased goods for resale	36					
	6. Advance payments for stocks	37					
II.	Long-term debtors	38				4,406	8,812
	1. Trade debtors	39				4,406	8,812
	2. Receivables from partners and consortium members	40					
	3. Amounts receivable from subsidiaries	41					
	4. Amounts receivable from associates	42					
	5. Other debtors	43					
III.	Short-term debtors	44	31,766	-9,493	22,273	20,435	29,945
	1. Trade debtors	45	31,608	-9,356	22,252	20,408	25,836
	2. Receivables from partners and consortium members	46					
	3. Social security	47					
	4. State - taxes receivable	48					3,986
	5. Amounts receivable from subsidiaries	49					
	6. Amounts receivable from associates	50					
	7. Other debtors	51	158	-137	21	27	123
IV.	Cash and investments	52	123,889		123,889	81,090	77,236
	1. Cash in hand	53	26		26	39	48
	2. Cash at bank	54	3,913		3,913	10,551	11,188
	3. Short-term investments	55	119,950		119,950	70,500	66,000
	4. Short-term investments not-in-use	56					
D.	Other assets	57	5,438		5,438	5,975	2,828
I.	Temporary assets	58	4,002		4,002	2,225	2,817
	1. Deferred expenses	59	1,591		1,591	1,873	2,073
	2. Accrued income	60	2,411		2,411	352	742
	3. Exchange rate losses	61					2
II.	Estimated assets	62	1,436		1,436	3,750	11
	Control number	999	3,546,396	-2,018,928	1,527,468	2,074,738	2,236,389

Row	LIABILITIES	Order	Actual state in the accounting period		
			2002	2001	2000
a	b	c	6	7	8
	TOTAL LIABILITIES	63	382,226	519,622	559,100
A.	Equity	64	338,751	465,790	444,882
I.	Registered capital	65	362,262	365,741	366,741
	1. Registered capital	66	383,048	384,948	384,948
	2. Own shares and holdings	67	-22,686	-19,207	-18,207
	3. Reacquired shares	68	1,900		
II.	Capital funds	69	35,998	35,998	35,948
	1. Share premium	70	22,769	22,769	22,769
	2. Other capital funds	71	13,229	13,229	13,179
	3. Gains or losses from revaluation of assets and payables	72			
	4. Gains or losses from revaluation after changes	73			
III.	Funds created from profits	74	30,198	25,656	6,699
	1. Legal reserve fund	75	30,198	25,656	6,699
	2. Non-distributable fund	76			
	3. Statutory and other funds	77			
IV.	Retained profit or loss from prior years	78	33,858	17,154	3,125
	1. Retained earnings from previous years	79	33,858	17,154	3,125
	2. Accumulated losses from previous years	80			
V.	Profit or loss of current year	81	-123,565	21,241	32,369
B.	Liabilities	82	35,663	40,642	106,709
I.	Reserves	83	18,092	25,552	22,634
	1. Legal reserves	84	5,871	4,403	2,936
	2. Reserve for income tax	85			
	3. Reserve for foreign exchange losses	86			
	4. Other reserves	87	12,221	7,940	6,581
	5. Deferred tax due (receivable)	88		13,209	13,117
II.	Long-term liabilities	89			
	1. Long-term payables to subsidiaries	90			
	2. Long-term payables to associates	91			
	3. Long-term advances received	92			
	4. Bonds issued	93			
	5. Long-term bills of exchange to be paid	94			
	6. Other long-term payables	95			
III.	Short-term liabilities	96	17,571	15,090	34,575
	1. Trade creditors	97	9,970	10,030	11,441
	2. Payables to partners and consortium members	98			
	3. Payables to employees	99	2,645	2,004	2,926
	4. Social security	100	1,943	1,214	2,088
	5. Taxes payable and subsidies	101	2,803	1,674	17,766
	6. Payables to subsidiaries	102			
	7. Payables to associates	103			
	8. Other creditors	104	210	168	354
IV.	Bank loans and borrowings	105			49,500
	1. Long-term bank loans	106			49,500
	2. Short-term bank loans	107			
	3. Short-term borrowings	108			
C.	Other liabilities	109	7,812	13,190	7,509
I.	Temporary liabilities	110	3,123	7,468	2,501
	1. Accrued expenses	111	3,108	4,443	2,499
	2. Deferred income	112	15	2,944	
	3. Exchange rate gains	113		81	2
II.	Estimated liabilities	114	4,689	5,722	5,008
	Control number	999	1,647,780	2,051,525	2,199,023

Financials

Profit and Loss Account (in full format) at 31 December 2002 (in CZK thousand)

Row	Item	Order	Actual state in the accounting period		
			2002	2001	2000
a	b	c	1	2	3
I.	Sales of goods purchased for resale	1			
A.	Cost of goods sold	2			
	+ Gross margin	3			
II.	Production	4	181,014	189,133	230,271
	1. Sale of own products and services	5	181,014	189,133	230,271
	2. Change in finished goods and work-in-progress	6			
	3. Own work capitalized	7			
B.	Purchased consumables and services	8	50,024	56,054	59,141
	1. Consumables	9	1,095	1,479	1,517
	2. Services	10	48,929	54,575	57,624
	+ Added value	11	130,990	133,079	171,130
C.	Staff costs	12	53,233	59,325	56,020
	1. Wages and salaries	13	35,564	38,550	36,881
	2. Remuneration of board members	14	2,594	4,205	3,593
	3. Social costs	15	12,340	13,382	13,524
	4. Social benefits	16	2,735	3,188	2,022
D.	Taxes and charges	17	270	234	263
E.	Depreciation of intangible and tangible fixed assets	18	26,209	36,599	56,213
III.	Sale of fixed assets and material	19	229	820	608
F.	Net book value of fixed assets and material sold	20	83	4,054	268
IV.	Drawing of reserves, additions to complex deferred expenses	21	7,573		
G.	Additions to reserves, settlement of complex deferred expenses	22	13,323	2,826	2,173
V.	Drawing of provisions and depreciation of negative goodwill	23	1,742	4,844	3,746
H.	Creation of provisions and depreciation of goodwill	24	173,004	2,670	7,152
VI.	Other operating income	25	2,739	1,656	1,516
I.	Other operating expenses	26	756	1,109	133
VII.	Transfer of operating income	27			
J.	Transfer of operating expenses	28			
	* Operating profit or loss	29	-123,605	33,582	54,778
VIII.	Proceeds from sale of securities and ownership interests	30			
K.	Cost of securities and ownership interests sold	31			
IX.	Income from investments	32			
	1. Income from intercompany securities and ownership interests	33			
	2. Income from other securities and ownership interests	34			
	3. Income from other investments	35			
X.	Income from short-term investments	36	405	212	1,577
L.	Cost of financial investments	37			
XI.	Income from revaluation of shares	38			
M.	Cost of revaluation of shares	39			
XII.	Drawing of financial reserves	40			
N.	Additions to financial reserves	41			
XIII.	Settlement of adjustments	42			
O.	Additions to adjustments	43			
XIV.	Interest income	44	3,279	4,542	3,161
P.	Interest expense	45		3,099	8,134
XV.	Other financial income	46	243	211	485
Q.	Other financial expenses	47	2,771	2,250	2,333
XVI.	Transfer of financial income	48			
R.	Transfer of financial expenses	49			
	* Financial profit or loss	50	1,156	-384	-5,244
S.	Income tax on ordinary activities	51	2,418	12,307	17,238
	1. - due	52	15,627	12,215	16,612
	2. - deferred	53	-13,209	92	626
	** Profit or loss from ordinary activities	54	-124,867	20,891	32,296
XVII.	Extraordinary income	55	1,876	350	73
T.	Extraordinary expenses	56	385		
U.	Income tax on extraordinary activities	57	189		
	1. - due	58	189		
	2. - deferred	59			
	* Extraordinary profit or loss	60	1,302	350	73
W.	Transfer of shares on profit or loss of partnership to partners	61			
	*** Profit or loss of current year	62	-123,565	21,241	32,369
	Profit or loss of current year before taxation	63	-120,958	33,548	49,607
	Control number	99	449,096	941,421	1,148,184

Cash Flow Statement (in CZK thousand)

Row	Item	Actual state in the accounting period		
		2002	2001	2000
P.	Cash and cash equivalents at the beginning of the accounting period	10,590	11,236	57,606
	Cash flows from main activities (operating activities)			
Z.	Profit/(loss) from ordinary activities before tax	-122,449	33,199	49,533
A.1.	Adjustments for non-cash transactions	200,886	40,400	65,650
A.1.1.	Depreciation of fixed assets(+) excluding book value of fixed assets sold, amortization of provision for acquired assets (+/-)	26,215	37,683	56,223
A.1.2.	Change in provisions, reserves	178,079	1,138	6,372
A.1.3.	Profit/(loss) on sale of fixed assets (+/-)	-147	3,234	-341
A.1.4.	Revenues from dividends and shares in profit (-)			
A.1.5.	Interest expense (+) excluding capitalised interest and interest income (-)	-3,279	-1,655	3,396
A.1.6.	Adjustments for non-cash transactions			
A.*	Net cash flow from operating activities before tax, movements in working capital and extraordinary items	78,437	73,599	115,183
A.2.	Change in working capital	-49,855	144	-67,184
A.2.1.	Change in receivables from operating activities (+/-), temporary asset accounts and estimated assets	1,373	13,150	1,453
A.2.2.	Change in short-term payables from operating activities (+/-), temporary liabilities accounts and estimated liabilities	-1,778	-8,506	-2,637
A.2.3.	Change in inventory			
A.2.4.	Change in short-term investments (not included in cash and cash equivalents)	-49,450	-4,500	-66,000
A.**	Net cash flow from operating activities before tax and extraordinary items	28,582	73,743	47,999
A.3.	Interest paid (-), except interest capitalised (+)		-3,099	-8,134
A.4.	Interest received (+)	3,279	4,923	4,738
A.5.	Income tax paid for operating activities and additional tax paid for previous periods (-)	-14,459	-23,874	-6,523
A.6.	Income and expenses related to extraordinary accounting entries, which create extraordinary profit or loss, including income tax paid from extraordinary activities	611	350	73
A***	Net cash flow from operating activities	18,013	52,043	38,153
	Cash flows from investing activities			
B.1.	Fixed assets expenditures	-21,420	-5,555	-11,100
B.2.	Income from fixed assets sold	230	2,699	609
B.3.	Loans provided to related parties			
B***	Net cash flow from investing activities	-21,190	-2,856	-10,491
	Cash flow from financial activities			
C.1.	Change in long term or short term payables (which are part of financial activities for cash and cash equivalents)		-49,500	-49,500
C.2.	Impact on cash and cash equivalents due to change in equity	-3,474	-333	-24,532
C.2.1.	Increase in cash and cash equivalents due to change in registered capital, share premium, or reserve fund, including prepayments made for this increase (+)			
C.2.2.	Capital payments to partners and shareholders (-)			
C.2.3.	Other deposits of cash made by partners and shareholders (+)			
C.2.4.	Reimbursement of loss by partners (+)			
C.2.5.	Payments made from funds (-)	-3,474	-333	-15,307
C.2.6.	Dividends and shares in profit, including withholding tax related to these claims and including financial clearance with partners (-)			-9,225
C.3.	Dividends and shares in profit received (+)			
C***	Net cash flow from financing activities	-3,474	-49,833	-74,032
F.	Net increase or decrease of cash and cash equivalents	-6,651	-646	-46,370
R.	Cash and cash equivalents at the end of the accounting period	3,939	10,590	11,236

Report of the Supervisory Board

During 2002, the Supervisory Board met at 12 meetings; in 2003, up to the date of the 11th General Meeting held on 29 May 2003 five Supervisory Board's meetings took place. The composition of the Supervisory Board was as approved at the 9th ordinary General Meeting of Shareholders. 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 decisions prepared and adopted by the Exchange Chamber. It paid great attention to the Exchange's strategy, particularly to the preparation of the Central Depository and the sale of the Exchange Palace. In performing its activities, the Supervisory Board consistently observed the interests of shareholders.

At its meeting on 23 April 2003, the Supervisory Board discussed the Report on the Exchange's Business Activities and the State of its Assets for 2002. It had no comments on the submitted Report and, therefore, recommends 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 2002 and familiarised itself with the Auditor's Report. The Supervisory Board agrees with the PSE's financial statements and with the submitted proposal for the compensation of loss and recommends the General Meeting of Shareholders to approve the annual financial statements and the Exchange Chamber's proposal for the compensation of the 2002 loss in compliance with the above stated facts.



Věslav Michalík
Chairman of the Supervisory Board

Prague, 16 May 2003

PSE Shareholders and Members

The Prague Stock Exchange's shareholders as at 31 December 2002

Shareholder	No. of shares	Percentage of registered capital	Shareholder	No. of shares	Percentage of registered capital
AB Banka, a.s. v likvidaci ¹⁾	4,500	1.169	GES INVEST, a.s. ¹⁾	1,000	0.260
ATLANTA SAFE, a.s. ³⁾	3,000	0.779	Global Brokers, a.s. ¹⁾	100	0.026
ATLANTIK finanční trhy, a.s.	2,996	0.778	HBS - poradenská, a.s.	48,470	12.591
BBG Finance a.s. ³⁾	100	0.026	HVB Bank Czech Republic a.s. ¹⁾	3,000	0.779
BH Securities a.s.	3,749	0.974	ICEBERG A.S. ¹⁾	40	0.010
BODY INTERNATIONAL BROKERS a.s.	28,607	7.431	imAGe 1, a.s. ¹⁾	1,000	0.260
Brněnská obchodní, a.s. v likvidaci ^{1) 2)}			ING Bank N.V., organizační složka	3,000	0.779
C.S. Brokers burzovní, a.s. ¹⁾	120	0.031	Interbanka, akciová společnost	6,400	1.662
CA IB Securities, a.s.	4,612	1.198	INVESTKONZULT, a.s. ¹⁾	1,000	0.260
CAUTUS FINANCE, a.s.	100	0.026	J&T SECURITIES (CZECH REPUBLIC), a.s.	1,400	0.364
CITICORP SECURITIES (CR), s.r.o. ¹⁾	1,000	0.260	Komerční banka, a.s.	30,429	7.905
COOP BANKA, a.s. v likvidaci ¹⁾	2,000	0.520	KOMERIO, brokerský dům Konečný, a.s. „v likvidaci“ ¹⁾	50	0.013
CREDIT SUISSE ASSET MANAGEMENT investiční společnost	2,997	0.778	KOMERO s.r.o. ^{1) 2)}		
CYRRUS, a.s.	1,000	0.260	MERX, a.s. ¹⁾	20	0.005
Česká pojišťovna a.s. ¹⁾	20,000	5.196	Moravia Banka, a.s v likvidaci ¹⁾	500	0.130
Česká spořitelna, a.s.	34,408	8.938	OESTERREICHER & spol., s.r.o. ¹⁾	1,000	0.260
Československá obchodní banka, a.s.	1,000	0.260	Patria Finance, a.s.	65,901	17.119
ČP INVEST investiční společnost, a.s. ¹⁾	2,000	0.520	PPF burzovní společnost a.s.	500	0.130
DISISOFT, a.s. v likvidaci ¹⁾	100	0.026	PROCON INTERNATIONAL s.r.o. ¹⁾	1,000	0.260
DPFŘ, a.s. ^{1) 2)}			Sati, a.s.	100	0.026
EASTBROKERS, akciová společnost ¹⁾	1,166	0.303	SOCIETE GÉNÉRALE, pobočka Praha ¹⁾	100	0.026
eBanka, a.s. ¹⁾	7,640	1.985	Stock Investment, a.s.	500	0.130
FIO, burzovní společnost, a.s.	100	0.026	Union banka, a.s.	15,000	3.896
Fond národního majetku ³⁾	4,500	1.169	Všeobecná úverová banka, a.s.	22,154	5.755
GARFIELD a.s.	10	0.003	WOOD & Company Financial Services, a.s.	1,000	0.260
GE Capital Bank, a.s. ¹⁾	17,388	4.517	Živnostenská banka, a.s.	14,355	3.729

Other members of the Prague Stock Exchange as at 31 December 2002

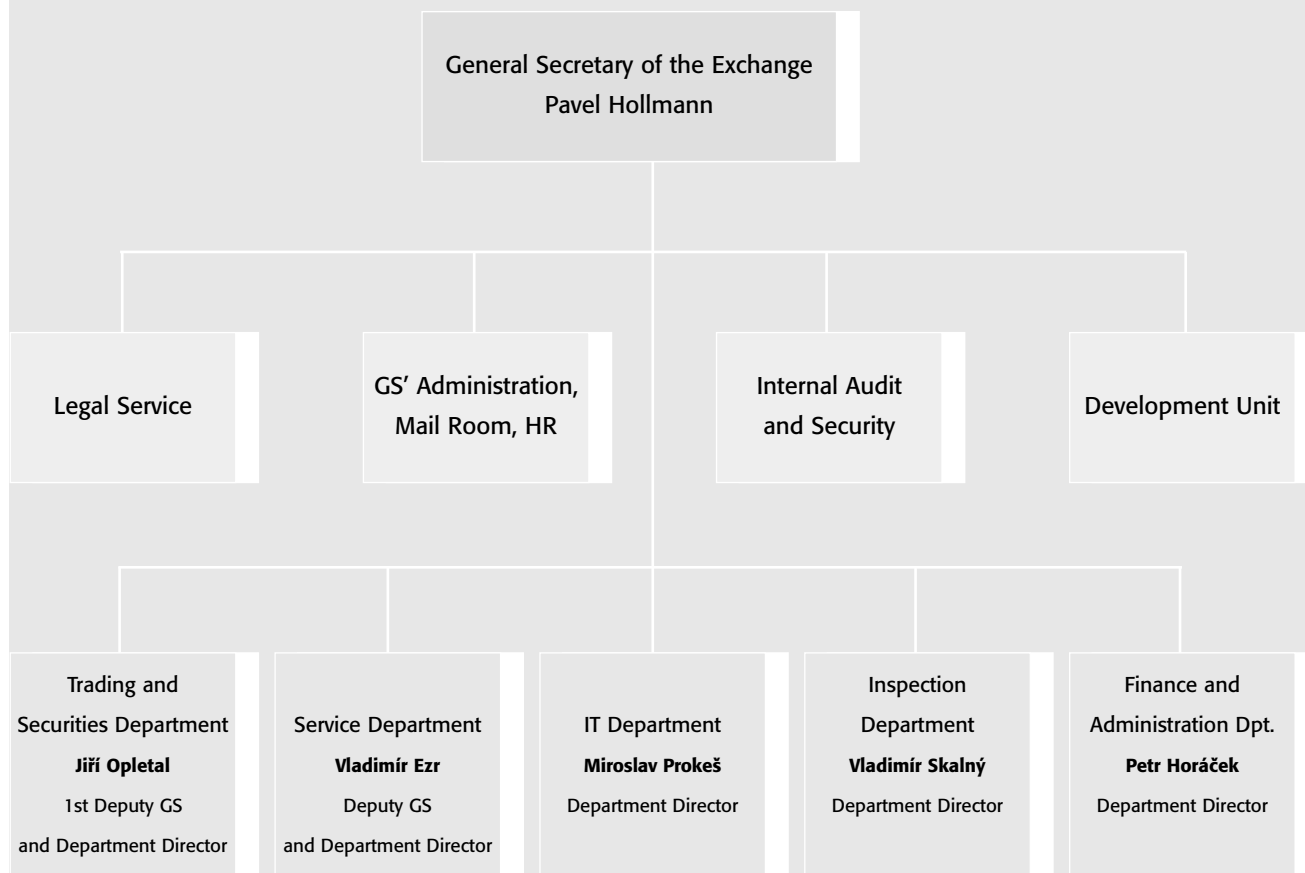
ABN AMRO BankN.V., Prague branch
 Baader Securities, a.s.
 CAPITAL PARTNERS a.s.
 Conseq Finance, a.s. ³⁾
 ČESKÁ NÁRODNÍ BANKA
 Českomoravská záruční a rozvojová banka, a.s.
 DEUTSCHE BANK Aktiengesellschaft Filiale Prag, organisational unit
 EPIC Securities, a.s.
 Ministerstvo financí České republiky
 Raiffeisenbank a.s.

¹⁾ not a PSE member

²⁾ the company did not agree to publish its share in the PSE registered capital

³⁾ PSE member until 31 December 2002

The Company's Structure (as at 31 December 2002)



Concluding Information

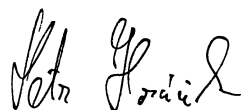
Declaration on responsibility

We hereby declare that data and information stated in the PSE's Annual Report for 2002 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 Service Department Director
responsible for pages 1-31 and 36-41
of the PSE's Annual Report for 2002



Petr Horáček

Finance and Administration Department Director
responsible for pages 32-35
of the PSE's Annual Report for 2002

Concluding Information

Resolution of the General Meeting

At the 11th Ordinary General Meeting of Shareholders of the Prague Stock Exchange held on 29 May 2003 the shareholders discussed and approved:

- Report on the Exchange's Business Activities and the State of its Assets in 2002; they were also acquainted with the Report of the Supervisory Board and the Auditor's Report on the Company's financial statements and consolidated financial statements.

- Financial statements for 2002 and decision on the compensation of loss
The Company ended the year 2002 with a loss of CZK 120.958 million. The loss resulted from the tax undeductible provision for tangible assets which was created as a result of revaluation of the Exchange Palace and a tax undeductible reserve for costs related to the sale. An income tax of CZK 15.816 million was paid and a reserve for the deferred income tax was reduced by CZK 13.209 million. The resulting after-tax loss totals CZK 123.565 million. In compliance with the PSE's Articles of Association the 2002 loss will be compensated from retained profit of future years.

- Principles governing the Exchange's activities in 2003

- Changes in the PSE's Articles of Association w.e.f. 29 May 2003

- Proposal to decrease the registered capital

In accordance with §4(2) of Act No. 214/1992 Coll., on the Stock Exchange, the PSE's registered capital has been decreased by CZK 17.307 million to CZK 367.641 million. 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, and decrease the registered capital by their nominal value. The given value of the registered capital is based on the value incorporated in the Commercial Register, as the reduction of the registered capital by CZK 1.9 million which was approved by the 10th ordinary General Meeting has not been yet entered in the Commercial Register although the proposal to open the entry proceedings was submitted on 21 August 2002.

After the reduction of the registered capital by CZK 1.9 million and subsequently by CZK 17.307 million is entered, the registered capital will be lowered at CZK 365.741 million.

- Changes in the composition of the Exchange Chamber

The General Meeting noted the resignation of Tomáš Ševčík, member of the Exchange Chamber, as at 28 May 2003 and elected Tomáš Zralý, member of the Board of Directors and Deputy Managing Director of Živnostenská banka, a.s. as a new member of the Exchange Chamber.

Glossary of abbreviations and terms

ATS	Automated Trading System. A system facilitating the conclusion, registration and settlement of Exchange trades (abbreviated in Czech as "AOS").
auction regime	A method of automated trading on the Exchange's prompt market which is based on the accumulation of orders to buy and sell securities. A price based on the pairing of orders is fixed at a certain moment.
automated trades	A type of Exchange trades on the prompt market which are based on automated electronic processing of orders in accordance with the appropriate algorithms defined in ATS.
continual regime	A method of automated trading in which a trade is concluded on the basis of continuous input of orders to buy and sell securities. The principle of price and then chronological priority is applied when matching orders.
market maker	An Exchange member which has concluded a contract with the Exchange to work as a market maker and which is obliged during the open phase of SPAD to continually quote all securities on whose behalf he acts as a market maker.
prompt market	A securities market to which securities are supplied against payment, the counter-balance to a derivatives market.
PX-D	A share market index which describes development in prices of the most liquid Exchange issues.
PX- GLOB	A global index based on all registered share issues , including investment funds and units whose price was fixed at the latest during the previous trading session.
PX 50	The official Exchange index, based on maximum 50 issues selected on the basis of their market capitalisation and liquidity, and considering their sector classification. At the beginning of 2003, the index base comprised 18 issues.
SC	Securities Centre, an institution established by state which keeps records of securities and manages accounts of individual securities owners (abbreviated in Czech as SCP).
SeC	Securities Commission - the state body responsible for supervising the Czech capital market and ensuring compliance with applicable rules and regulations.
SPAD	System for Support of Share and Bond Markets, a trading segment based on the quotation of prices by market makers.
UNIVYC	Universal Settlement Centre, the Exchange's subsidiary which ensures settlement of trades concluded on the Exchange.

Contact information

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110 05 Prague 1

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., branch Prague, account No. 57008-011/0100
Entry in the Commercial Register: at the Prague Municipal Court, File B., Insert 1773

Management

Pavel Hollmann

General Secretary
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Fax: 420/221 833 040

Jiří Opletal

1st Deputy General Secretary
and Director of Trading and Securities Department
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Vladimír Ezr

Deputy General Secretary
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Director of Inspection Department
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The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry, no matter how small, should be recorded to ensure the integrity of the financial statements. This includes not only sales and purchases but also expenses, income, and transfers between accounts.

The second part of the document provides a detailed breakdown of the accounting cycle. It outlines the ten steps involved in the process, from identifying the accounting entity to preparing financial statements. Each step is explained in detail, with examples provided to illustrate the concepts.

The third part of the document focuses on the classification of accounts. It discusses the different types of accounts, such as assets, liabilities, equity, revenue, and expense accounts, and how they are used to record and summarize business transactions.

The fourth part of the document covers the process of journalizing and posting. It explains how to create journal entries based on the accounting cycle and how to post these entries to the appropriate T-accounts in the ledger.

The fifth part of the document discusses the process of balancing the accounts. It explains how to calculate the ending balances for each account and how to ensure that the total debits equal the total credits.

The sixth part of the document covers the preparation of financial statements. It discusses the different types of financial statements, such as the balance sheet, income statement, and statement of owner's equity, and how they are prepared from the ledger accounts.

The seventh part of the document discusses the process of closing the accounts. It explains how to transfer the balances of temporary accounts (revenue, expense, and owner's drawing) to the permanent accounts (assets, liabilities, and equity) at the end of the accounting period.

The eighth part of the document covers the process of correcting errors. It discusses the different types of errors that can occur, such as transposition errors, omission errors, and recording errors, and how they can be identified and corrected.

The ninth part of the document discusses the process of reconciling the accounts. It explains how to compare the balances in the ledger accounts with the balances in the bank statements and other external records to ensure that they agree.

The tenth part of the document covers the process of preparing a trial balance. It explains how to list all the accounts and their balances in a single statement to verify that the total debits equal the total credits.

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