



Prague Stock Exchange

Annual Report 2000



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Company Profile

The Prague Stock Exchange (or PSE - in Czech, "Burza cenných papírů Praha, a.s.") is the most important securities market organiser in the Czech Republic. Within the scope of the licence issued to it by the Securities Commission (SeC), it organises the supply of and demand for registered securities, investment instruments and other capital market instruments through authorised persons at a given place and time. It is based on the membership principle, which means that all trades on the Exchange are concluded through its members. The Exchange is the major instrument for market direction of available financial resources and, as organiser of the market, it facilitates the flow of excess capital to exactly where it is most in demand from the economic point of view. The Exchange publishes the results of trading in the daily press, on the Internet and through information agencies. Since February 2000, it has been publishing the real values of the PX 50 and PX-D indices, preliminary trading results, detailed information about issuers and issues traded on Exchange markets and a great deal of other information about the capital market on its own Internet website.



Key Events in the Exchange's History

<p>'92</p> <p>11/24 Prague Stock Exchange formed.</p>	<p>'93</p> <p>4/6 Trading opened in 7 securities issues.</p>	<p>'93</p> <p>6/22 622 share issues from the 1st wave of coupon privatisation launched on the Exchange's market.</p>
<p>'93</p> <p>7/13 333 share issues from the 1st wave of coupon privatisation launched on the Exchange's market.</p>	<p>'94</p> <p>4/5 Calculation of the Exchange's official PX 50 Index opened.</p>	<p>'95</p> <p>3/1 674 share issues from the 2nd wave of coupon privatisation launched on the Exchange's markets.</p>
<p>'95</p> <p>4/6 PX-GLOB and PXL summary indices and 19 sector indices opened.</p>	<p>'95</p> <p>9/1 The Exchange's markets divided into Main and Secondary markets (originally the listed market) and the Free market (originally the unlisted market).</p>	<p>'96</p> <p>3/15 Trading in the KOBOS system (continual trading at variable price) began with 5 share and 2 bond issues.</p>
<p>'97</p> <p>1,301 illiquid share issues withdrawn from the Exchange's Free market.</p>	<p>'98</p> <p>1/5 35 companies transferred from the Main to the Secondary market because of their failure to meet the required level of liquidity on the Central market.</p>	<p>'98</p> <p>5/25 Trading in the SPAD system (System for Support of the Share and Bond Markets) opened.</p>
<p>'99</p> <p>1/4 The new continuously calculated PX-D Index introduced. Continuous calculation of PX 50 Index opened.</p>	<p>'99</p> <p>9/20 75 share issues withdrawn from the Free market.</p>	<p>'00</p> <p>5/2 Uniform Order Book project completed.</p>

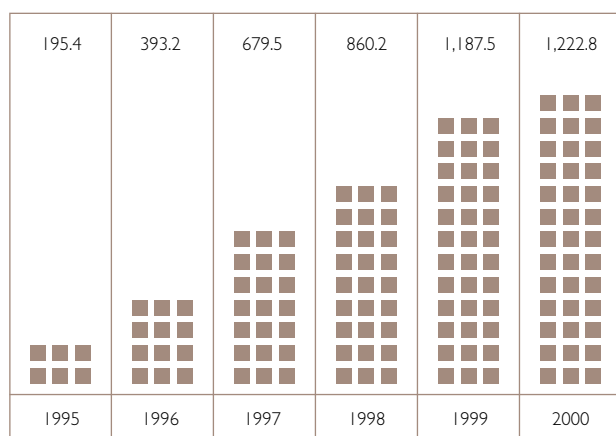
The page features a light beige background with several teal-colored squares scattered across it. There are 18 squares in total, arranged in a sparse, non-uniform pattern. Some are isolated, while others form small groups or lines. The squares vary in size and are positioned at various points on the page, including near the top right, center, and bottom.

Selected Indicators

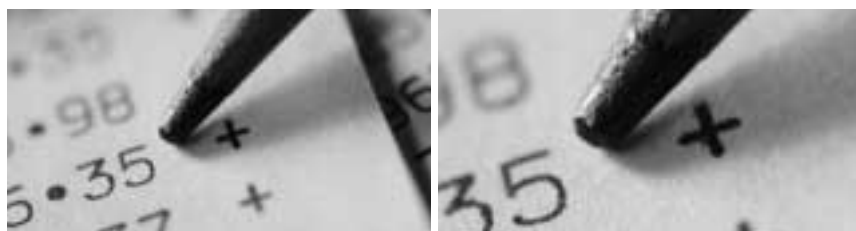
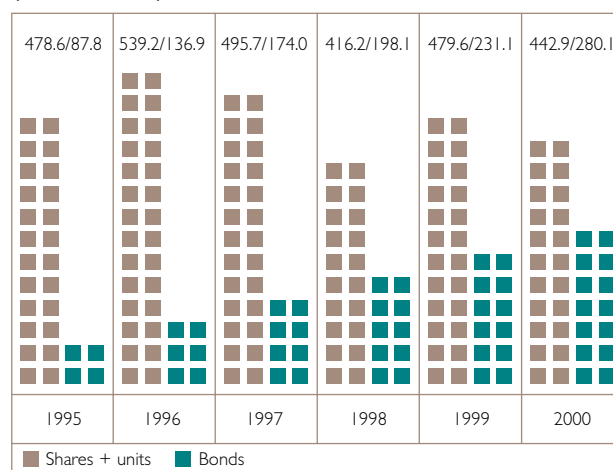
Basic trading data as at 31 December

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

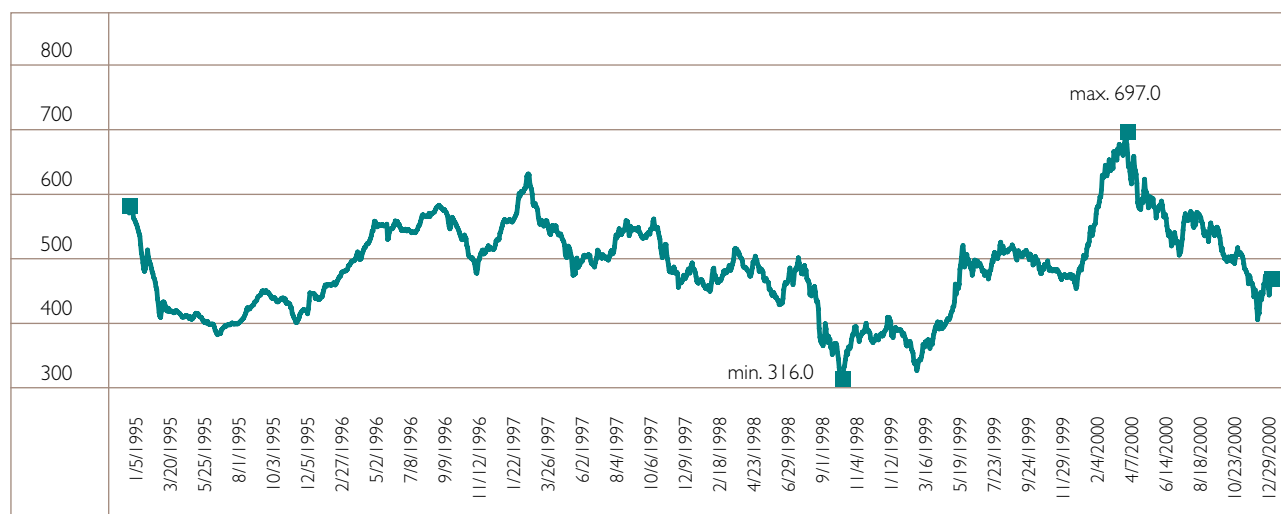
Total annual values of trades (CZK billion)



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



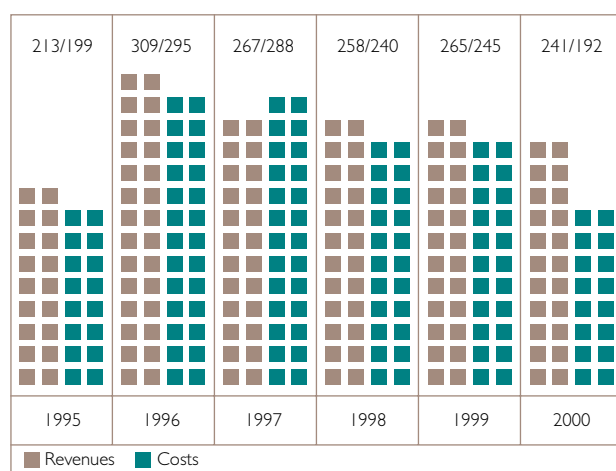
PX 50 Index, 5 January 1995 - 29 December 2000



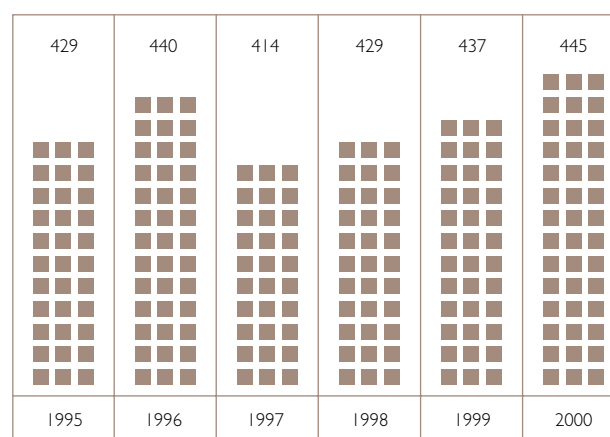
PSE financial data (CZK million)

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

Revenues and costs (CZK million)



Shareholders' equity (CZK million)



The graph above shows the long-term positive trend towards own sources financing, a development largely made possible by reduced operating costs.





Top Officials on the Exchange



Introduction by the Chairman of the Exchange Chamber

The year 2000 confirmed the upturn in the Czech economy. As against 1999, when GDP fell by 0.5%, last year there was significant growth of 2.9%. This positive trend influenced the inflow of foreign investment into the Czech Republic and also the continuing privatisation of the banking sector and other enterprises in which the state has holdings. The year was also notable for widespread turbulence on markets all over the world. Trading on capital markets has been globalised, and in March most of the world's exchanges were affected by a downturn in the major indices which led to significant fall in the price of shares, especially those of the new hi-tech companies. The situation on foreign markets also had a major impact on the course of trading on the Prague Exchange, as the main Exchange indicators testify. The Exchange's PX 50 index peaked in February and the largest value of pricing trades took place in the second half of March 2000.

The year 2000 was a turning point for the Czech capital market in terms of the efforts made to bring Czech legislation into line with European Union standards. On 1 January 2001 amendments to key capital market laws came into force which introduce new rules for the conduct of market participants similar to those already applying in the European Union. These involved changes to the Securities Act, the Stock Exchange Act, the Bonds Act and the Commercial Code.

The amendments to the Stock Exchange Act were the first major changes for eight years. Their main contribution is to clarify the Exchange's legal status and define more precisely what is required of member firms and some of the supervisory powers related to the capital market. Another amendment also raised the amount of the financial sanctions which the Exchange can impose on members and issuers from the original CZK 50,000 to CZK one million. The Exchange Chamber now imposes sanctions on market participants in administrative proceedings, while the Securities Commission decides on remedy against the fines imposed. The amended Act also for the first time allows the Exchange to provide services through public markets abroad. This is a response to the present trend on world markets and creates conditions which enable the Prague Exchange to link up with international alliances. At the same time, the amended Act allows the Exchange to organise derivatives trades, which means that it can offer investors more comprehensive services.

Extensive amendments to the Securities Act define basic capital market concepts and determine the rights and duties of market participants more exactly. The provisions on stock brokers' capital adequacy and the establishment of a guarantee fund for traders to pay clients when traders become insolvent give investors added protection. Another important change to the Act is the new concept of a publicly tradable security whereby the security is admitted to trading by the organiser of the public market and conditions are determined for exclusion of a security from the market. This represents a significant tightening up of the conditions under which an issue is retained on the public market. During 2001 more than 700 issues have been excluded, in the vast majority of cases issues registered on the off-Exchange RM-System. It involves issues which are not being traded, and this measure helps to make the securities market more transparent.

The Commercial Code has also undergone the most extensive changes for several years. The main changes relate to stricter conditions when companies are founded, the effect of changes in the Commercial Register from the day of their publication and the compulsory introduction of additional information in trading documents. 16 European Union directives have been incorporated into the amendments, most of them relating to capital market problems.

Harmonisation of these amendments with European Union standards is also reflected in changes to the Exchange's own rules and regulations. The amendments to the Stock Exchange and Securities Acts are gradually being incorporated into the Exchange's rules. The most extensive changes concern the Exchange Regulations as they relate to the admission of securities to Exchange markets. These should be approved in the second quarter of 2001. All the changes already made or being prepared to the Exchange rules and regulations which take into account European Union standards and the recommendations of the World Federation of Stock Exchanges bring us closer to the other advanced world exchanges and contribute to greater transparency of the Czech capital market.

An important prerequisite for the effective functioning of a capital market is the issue and trading of primary issues on the Exchange. The Exchange created conditions for the trading of new issues in September 1999 when the General Meeting approved appropriate changes to the Exchange Regulations. A register of patrons guaranteeing new issues and their quality to the investing public was also introduced. By the end of 2000 the Exchange Listing Committee had registered four patrons from among Exchange members. The Exchange itself however cannot directly influence the launching of the first issues. This depends on the situation on the market, the interest of investors in the new issue and the readiness of companies to enter this market. The launching of primary share issues on the Czech market was adversely affected by developments on world markets in 2000, when there was a fall in investor confidence in the internet companies accompanied by a fall in the price of their shares. Legislative obstacles also persist which de facto prevent the launching of new share issues and their placement on the market in "IPO" form. The Exchange has played its part in activities aimed at removing these obstacles to the financing of viable projects through the capital market and initiated many of these activities itself.

In line with the recommendations of the European and World Federations of Stock Exchanges, the Prague Exchange is making every effort to create the best possible conditions for market participants. Its aim is to support and perfect a securities market directed towards providing services at regional level and, corresponding to the emergence and development of globalised markets, to create standardised conditions for trading and bring its trading and information system into line with current European trends.



George Jedlička,
Chairman of the Exchange Chamber



Interview with the General Secretary of the Prague Stock Exchange

Pavel Hollmann replies to questions on the Exchange's development in 2000 in the context of the capital market.

Could you characterise the year 2000 from the point of view of its contribution to the capital market?

It was a year in which the Czech capital market saw major legislative changes. The number of laws amended in this segment of the economy is unparalleled in the history of the Czech Republic. The main aim of these extensive changes was to bring conditions on the Czech market into line with those on advanced financial markets abroad and the recommendations of the European Union on the capital market.

How did the Exchange respond to these legislative changes?

Amendments to the laws on securities, the stock exchange and bonds and the Commercial Code came into force on 1 January 2001. By then the Exchange had already amended its Articles of Association, the Exchange Rules, the Rules Governing Fees and the Rules of the Exchange Court of Arbitration, including the Rules Governing Expenses of Arbitration Proceedings. The main changes were based on amendments to the Stock Exchange Act and partly also to the Securities Act and the Commercial Code.

What will be the effect of amendments to the Exchange's Articles of Association?

The main changes relate to transfer of the authority to approve the Exchange Regulations from the general meeting to the Exchange Chamber. Approval of the Exchange's Articles of Association, the Rules of the Exchange Court of Arbitration, the Rules Governing Expenses of Arbitration Proceedings and the Rules Governing Fees will remain in the competence of the general meeting. The aim of these changes is to increase the Exchange's flexibility when meeting market requirements, while at the same time leaving decisive documents within the authority of the general meeting. Changes to the Exchange's Articles of Association will allow the scope of its business activities to be widened to include the provision of services through the foreign market and the organisation of derivatives trading to the extent permitted by the licence granted by the Securities Commission. The amended Articles of Association determine the nature of the Exchange as a public service institution which is contained in the new law. This relates to decision-making on matters like the suspension of trading in a particular security, its exclusion from the Exchange market, the imposition of sanctions on Exchange members, etc.

Have any changes been made to the powers of Exchange bodies or its management?

The General Secretary's authority has been extended and as a result the Exchange's operations are becoming more flexible. The Articles of Association now allow the General Secretary to be elected to membership of the Exchange Chamber and, in response to amendments to the Commercial Code, they also regulate the responsibility of members of the Exchange Chamber.

What has been the effect of changes in the Exchange Regulations?

These now include the Regulations on Administrative Proceedings, which govern administrative proceedings conducted by the Exchange. The closing of an Exchange trade and the conditions under which trading can be suspended in connection with administrative proceedings and the Securities Act have also been redefined. The Exchange Regulations strengthen "enforcement", which means that the Exchange now has stronger means of enforcing compliance with the Exchange Regulations. The maximum financial sanction has been increased from CZK 50,000 to CZK one million in line with the provisions of the Securities Act. The Exchange Chamber decides whether a sanction will be imposed. Stricter conditions also now apply to admission of a security to the Free market. As on the markets of other Exchanges, the issuer or an authorised Exchange member submits an application for admission of the security and the Exchange Listing Committee decides whether it is to be admitted to the Exchange's Free market.

What is the Exchange's policy on fees for the year 2001?

Changes in the fees for market participants are aimed principally at reducing the cost of transactions for Exchange members and improving trading conditions. The most important change is a differentiated fee for trading and the registration of trades. This will help to reduce transaction fees by about CZK 20 million. Another change which is based on the same philosophy is the introduction of advance payment of membership fees. The final amount due will be determined by the Exchange Chamber at the end of the calendar year after recalculation of the total annual volume of fees for trading due from all members and from individual members. The Tariff of Exchange Fees for 2001 will also reduce fees for the admission of issues to the Exchange's Free market.

Are any other changes in the Exchange's rules and regulations expected in 2001?

The Exchange's main aim will be to incorporate all the other changes required by the legislative amendments into the Exchange Regulations and other Exchange rules. Apart from this, and in line with the Exchange Regulations, the competence of issuers to remain on the organised market will be reviewed in light of the new minimum amount prescribed for registered capital.

We expect that, following amendment of the Act on the Securities Commission, the Act on the Stock Exchange and the Securities Act will also be open to amendment. This could mean that the Exchange will have an opportunity to provide even more services.

Could you describe trends in trading on the Exchange in 2000?

The Czech capital market was to a large extent influenced by trends on world markets, which last year were notable for their turbulence. This was reflected in changes in the indicators on share issue prices which in February 2000 were at record levels but in the course of the year were losing. At the end of 2000 the PX 50 Index reached 478.5 points, a year-on-year fall of 2.3%. The total annual value of trades was CZK 1,222.8 billion, a year-on-year increase of 3.0%. The first half of the year was the more successful, with almost 63% of the annual value of trades taking place in this period. There was also a significant increase in the value of shares and units traded at the expense of bonds. The value of shares and units traded rose year-on-year by almost 62% which compares with a fall of more than 6% in the value of bonds traded.

Which aspect of the Exchange's activities improved most in 2000?

In cooperation with the Securities Commission, the Exchange's inspection work has been considerably strengthened, so that it now represents an effective and efficient system of checking on members. On 1 January 2001 new inspection-related software was introduced, which, with the help of an automatically created database and analytical and supervisory functions, provides an operational and effective check on the course of trading. Changes to the Control Activities Rules have put greater emphasis on constant analytical monitoring of trading and operational observation of selected trades. Major improvements in the system of checking and the methods and procedures used in inspection work are reflected not only in an increase

in the number of monitored and vetted trades, but also in a change in the behaviour of Exchange members, with the number of ascertained breaches of the principles prescribed for dealings with clients falling. The long-term aim of the inspection work is to create conditions which allow the Exchange to operate as a self-regulating body.

What kind of steps has the Exchange taken to simplify the trading system?

The Exchange has continued to widen the range of its services, as is shown by its preparation of new projects aimed at making trading and settlement more comfortable and creating a safe and simple trading and information system which compares favourably with the systems found on advanced foreign exchanges. In May the Exchange completed its Uniform Order Book project with the aim of unifying the system of accepting orders, creating a single database of orders for all trading segments of the Exchange market and creating the technological prerequisites for realising new Exchange projects. Further to introduction of the Uniform Order Book, there were other major changes in trading segments, the most important of which was regulation of trading between two Exchange members in accordance with European practices. The aim of standardisation was to improve the market's transparency, support the mechanism for closing trades at prices corresponding to the market situation, and above all to create conditions for simple but effective access for members to the Exchange market, using state-of-the-art technology and the communications network.

What is the state of preparations for derivatives trading?

The Exchange already took a number of steps last year which will lead to the establishment of an organised derivatives market. These related mainly to ensuring that trading would take place within the rules and the choice of suitable products. In cooperation with member firms, the products which the Exchange would like to open trading with have been chosen. These involve futures contracts at the PRIBOR interest rate and the PX-D Exchange index. An important part of the preparations has been updating the Exchange regulations on the issue of derivatives, especially in the area of risk management, and taking into account amendments to the Czech capital market legislation. During March 2001 the Exchange applied to the Securities Commission for the broadening of its licence to organise the supply of and demand for derivatives.

Which area of the Exchange's activities should see the most important changes in 2001?

Probably the area of securities. As already mentioned, amended regulations came into force in 2000 on the admission of a security to Exchange trading which were intended to bring the Czech exchange environment into line with advanced capital markets and regulate the admission of securities to trading on the Main and Secondary markets in accordance with European Union directives and the listing regulations on advanced markets. Other major changes came in December 2000, when, following amendment of the Stock Exchange Act, the Regulations Governing Administrative Proceedings were incorporated into the Exchange Regulations. In 2001 the Exchange is preparing other changes which will in particular affect issuers whose securities are traded on the Free market.

What are the Exchange's main tasks in the coming period?

The capital market should become one of the instruments for financing enterprises, thereby supporting further development of the Czech economy. The Exchange's main task is to create an environment in which new issues can be placed on the Exchange market, thereby convincing market participants that new issues are, compared with bank loans, a faster and cheaper source of capital and that new owners do not have to fear the loss of their influence on decision-making. Since the financing of enterprises through the capital market is one of the driving forces of economic development, the Exchange will continue to make every effort to support primary issues, especially through its educational and other public activities. In the area of law, an obstacle to the launching of new issues on the market is the long delay before the issue is recorded in the Commercial

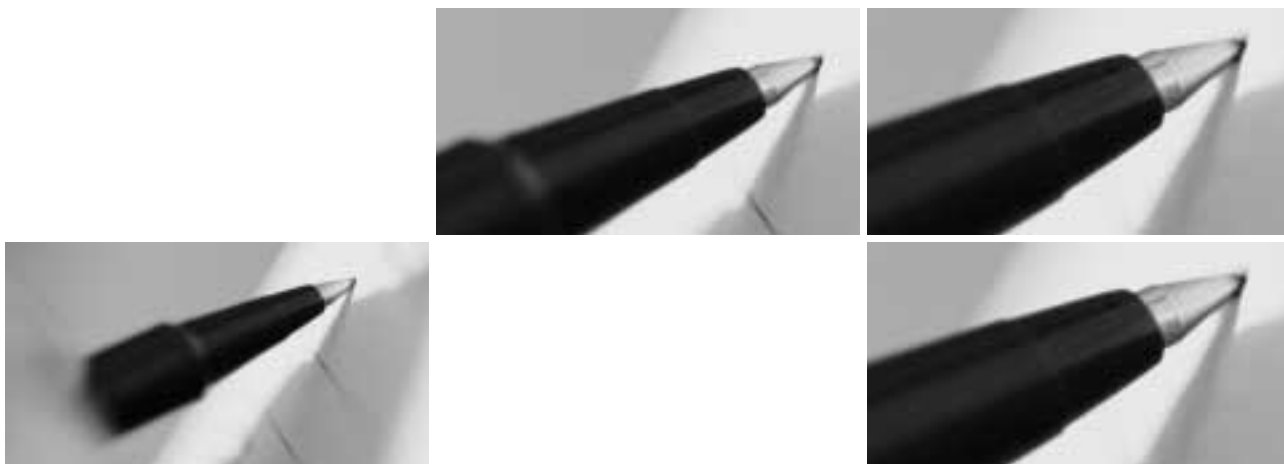
Register. The Securities Commission, the Association for the Capital Market and the Exchange are working together on a proposal which will lead to the removal of legislative obstacles. They are working together to create a legal environment which will be comparable to that existing on advanced markets which have been successful in this area and acceptable to traders specialising in this part of the market.

What new investor information services did the Exchange introduce last year?

There were several of them. For example, in February 2000 a new on-line version of the Exchange's internet pages became available. This allows easier orientation when information is sought, provides up-to-date information on trading and gives additional information on issues and issuers. Additional information was also provided on values of trades by Exchange members, because since March the Exchange has begun publishing figures on the monthly values of members' trades broken down into shares and units and bonds. In December 2000 the Exchange opened a new information centre in the Exchange Palace arcade, where the investing public has access to up-to-date trading results via screen display and two computers equipped with contact monitors.

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

The Prague Exchange is conscious of the need to become part of the universal trend towards globalised markets. In its strategy for the period up to 2003, it underlines the necessity of creating a legislative and technical environment comparable with that of the developed markets and of being fully prepared for connection with some of the globalised markets.



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2000 in Retrospect and Prospects for Further Development

2000 in Retrospect

<p>2/1</p> <p>New Exchange Internet pages were opened. This involved not only a change of image, but more importantly extended the range of information available by providing data in real time.</p>	<p>2/9</p> <p>The daily value of SPAD trades for the first time exceeded CZK 3 billion.</p>	<p>2/24</p> <p>The PX 50 Index reached a record level of 650.3 points. This was the highest closing daily figure since 25 October 1994, when the same figure was achieved.</p>
<p>3/1</p> <p>The BI02 sector index (Food Production) was closed down because of an insufficient number of base constituents.</p>	<p>3/2</p> <p>The Exchange began publishing monthly values of trades of the PSE members broken down into shares, units and bonds, but only when members agreed to this.</p>	<p>3/9</p> <p>The total daily value of trades reached the record figure of CZK 16.657 billion.</p>
<p>3/23</p> <p>The 6th Extraordinary General Meeting of shareholders approved changes in the Exchange's Articles of Association and Exchange Regulations and elected Tomáš Ševčík, Chairman of Harvardská burzovní společnost, a.s., as a new member of the Exchange Chamber.</p>		<p>3/30</p> <p>The value of SPAD trades reached the record figure of CZK 3.588 billion. The total value of trades on the Central market also reached the record level of CZK 3.661 billion.</p>
<p>5/2</p> <p>The Exchange's Uniform Order Book system came into operation. It contributes to further standardisation of the trading system in line with the requirements of the Exchange's members and the Securities Commission.</p>	<p>5/2</p> <p>The BI06 sector index (Wood and Paper Production) was closed down because of an insufficient number of base constituents.</p>	<p>5/5</p> <p>The Exchange Listing Committee named the company Patria Finance, a.s. as the second patron on the New market.</p>
<p>5/10</p> <p>Representatives of the London Stock Exchange and the PSE signed a Memorandum on Mutual Cooperation which will assist closer cooperation between the two exchanges.</p>	<p>5/25</p> <p>The 8th Ordinary General Meeting of shareholders approved the 1999 financial statements and the resolution on distribution of profit. The Exchange's after-tax profit for the year was CZK 10.9 million. For the first time since the Exchange's foundation in 1992, the General Meeting approved payment of a dividend.</p>	

<h2>6/12</h2> <p>The Exchange Chamber approved the cooption of a new member; Radovan Vávra, General Director of Komerční banka, a.s. It also elected George Jedlička of PricewaterhouseCoopers as Chairman of the Exchange Chamber and Dušan Baran of Česká spořitelna, a.s. as Vice-Chairman.</p>	<h2>6/16</h2> <p>The Exchange suspended Investiční a Poštovní banka, a.s. from membership and trading and halted trading in the IPB share issue.</p>	
<h2>6/30</h2> <p>The company CYRRUS, s.r.o. became a shareholder and member of the Exchange.</p>	<h2>7/3</h2> <p>The IPB issue was excluded from the PX-D Index base.</p>	<h2>9/1</h2> <p>The Exchange Listing Committee named the company Baader Securities, a.s. as a patron for the New market. The Exchange Chamber decided to end trading in the IPB issue on the Main market and transferred it to the Free market.</p>
<h2>9/29</h2> <p>Trading in the RIF issue on the Exchange's Main market was ended because of the conversion of this investment fund into an open unit fund.</p>	<h2>10/6</h2> <p>The company CA IB Securities, a.s. was named as a patron for the New market.</p>	<h2>10/9</h2> <p>Trading opened on the SPAD segment in the TABÁK issue (since November 27 has been renamed to the Philip Morris ČR).</p>
<h2>10/24</h2> <p>The IPS PRAHA share issue was excluded from SPAD trading.</p>	<h2>11/24</h2> <p>At CZK 250.36 billion, the total value of share and unit trades surpassed the previous 1996 record.</p>	<h2>12/14</h2> <p>The Extraordinary General Meeting approved changes to the Exchange's Articles of Association, Exchange Rules, Exchange Regulations, Rules Governing Fees and Rules of the Exchange Court of Arbitration, including the Rules Governing Expenses of Arbitration Proceedings. The reason for the changes was incorporation of amendments to the Stock Exchange Act, partially the Commercial Code and the Securities Act into the Exchange's regulations. The Exchange Chamber approved the Rules Governing Fees for 2001. The changes approved help lower transaction costs of the Exchange's members and improve terms of trading.</p>
<h2>12/18</h2> <p>The Commission for Administration of Exchange Indices approved a proposal for the re-composition of the PX-D index base and excluded the IPS PRAHA issue from the base.</p>	<h2>1/1 '01</h2> <p>Amendments to the Stock Exchange Act, the Securities Act, the Bonds Act and the Commercial Code came into force.</p>	

Prospects for Further Development

In 2001, the Exchange will take steps to bring its activities into line with the new requirements of the previous year's amendments to capital market legislation, which significantly affect regulation of the capital market.

It will identify and incorporate changes ensuing from amendments to the Stock Exchange, Securities and Bond Acts and the Commercial Code. In accordance with the amended Exchange regulations, it will among other things examine the competence of issuers to remain on the organised market from the standpoint of the minimal required amount of registered capital. The Exchange will also concentrate on improving its communication with issuers on the Free market, where in compliance with the Securities Act it will introduce new disclosure duties towards the Exchange. Another of the Exchange's tasks in this area is to expand its inspection activity and analytical monitoring of issuers through the use of new software products.

The Exchange has formulated its vision of its future development in the document "The Exchange's Development Strategy to the Year 2003", where it undertakes:

- to permanently consolidate and extend the pricing trading segments of the Central market (the auction and continual regimes and SPAD trading)
- to develop and improve settlements arranged by its UNIVYC, a.s. subsidiary which also, given the ever increasing importance of comfortable settlement of trades, has a significant effect on the competitiveness of the Exchange itself and its readiness for cooperation at international level
- to develop its own communications system so that it allows the easiest possible investor access to trading through Exchange members using the Internet or specialised network systems
- to give maximum support to the transmission of information in real time between the Exchange and members, securities issuers and other users of Exchange information, including the Securities Commission.

- to introduce new technology further improving the security of transmitted and processed data
- to improve the information system to facilitate the inspection of issuers and member firms
- to extend informational support for Exchange supervision of trading
- in cooperation with the Securities Commission, the Ministry of Finance, Exchange members, specialist associations and other organisations, to carry out and support educational activities and projects related to the capital market
- in accordance with the trend to international link-ups between capital markets, to create conditions enabling the Exchange to be accepted for connection to some of the globalised markets
- to support further standardisation of the environment in the interests of efficient trading in securities and derivatives
- to allow trading in additional foreign securities issues
- to develop the current tried and tested integrated trading and settlement system.

On the basis of standardised Exchange Regulations and in accordance with the recommendations of the International Federation of Stock Exchanges, the Exchange and UNIVYC will provide a service on the domestic market which will be fully comparable with the quality of services on developed foreign markets.

Through further improvements in transparency, application of international standards and improved reliability, comfort and attractiveness for issuers, investors and traders, the Exchange will strive to create conditions in which it retains attractive domestic shares and bonds on its market for as long as possible and attracts the best foreign securities issues. This will at the same time prepare it for a gradually deeper association with globalised European markets.

The page features a light beige background with several teal-colored squares scattered across it. There are 18 squares in total, arranged in a sparse, non-uniform pattern. Some are isolated, while others form small groups or lines. The squares are located at various positions: top right, upper left, middle left, middle right, lower left, lower middle, and bottom center.

Exchange's Activities in 2000



Structure of the Securities Market

A transparent environment is the prerequisite for responsible decision-making by market participants and the will to invest. Essential conditions are that the information provided by securities issuers is sufficient and prompt and that they have an ethical approach which corresponds to European Union standards. The Exchange does its utmost to ensure that investors have such an environment. Creating rules for the admission of issues and conditions ensuring that they will remain on the Exchange's markets, communication with issuers, issuer education, supervision of fulfilment of disclosure duties and sanctions policy are processes which are undoubtedly becoming more and more important. The Exchange devotes considerable strategic attention to this work. As part of its efforts to optimise its organisation, the Exchange has decided that from 2001 responsibility for securities will be transferred from the Trading Control Department to a separate Securities Department.

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

During 2000 it was possible to trade on the Exchange in four markets: the Main, Secondary, Free and New markets.

The Main and Secondary markets

The Exchange's Listing Committee decides on the admission of securities to trading on the Main and Secondary markets. It determined that both of these prestigious Exchange markets have equal status in terms of their admission procedure and the issuers' disclosure duties. The two markets differ only in the liquidity required of traded issues. The Listing Committee decided that a daily average value of trades on the Central market of CZK 1 million in one year would be necessary for shares and units on the Main market.

During 2000, there was a reduction in the number of issues on prestigious markets, with a total of 23 share and unit issues and 8 bond issues leaving. The main reasons for this were the issuers' decision that these securities would no longer be publicly tradeable and the continuing trend towards opening closed unit and investment funds. In the same period 7 bond issues were admitted to the Main market and 9 bond issues to the Secondary market.

The New market

The Exchange's New market is an organic part of the Secondary market. It is designed mainly for young dynamically developing companies which have growth potential and are looking for capital for further development. The Exchange Listing Committee decides whether to admit a company to the New market.

In contrast to other types of market, a patron "guarantees" the acceding company for the investing public. The patron is an Exchange member who is nominated by the Listing Committee on the basis of an approved application. The patron is responsible for preparing the issuer to join the New market and at the same time for verifying whether the issuer fulfils its disclosure duties during the whole period of its issue's inclusion in the New market.

In 2000, the Exchange registered the following companies as patrons:

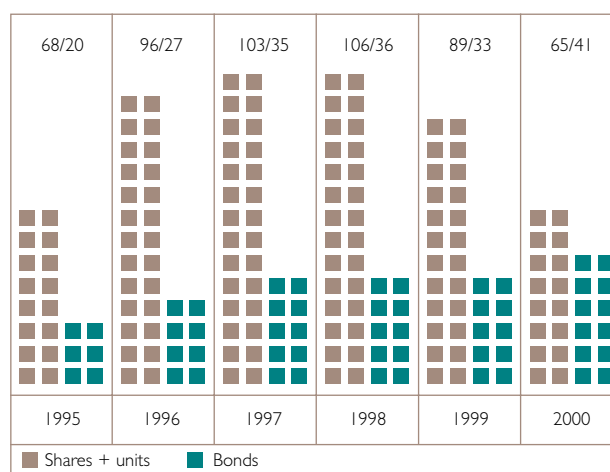
- Baader Securities, a.s.
- EPIC Securities, a.s.
- Patria Finance, a.s.
- CA IB Securities, a.s.

By the end of 2000, the Exchange had received no applications to trade on the New market.

The Free market

So far no commitments or obligations have been incurred by an issuer towards the Exchange as a result of registration on the Free market. An amendment to the Securities Act which came into force on 1 January 2001 defined the minimum requirements and disclosure duties which securities issuers accepted for trading on a public market have to fulfil. The Exchange Regulations are being amended to reflect this legislative change, and this will represent a major change in the conditions for admission of securities to trading on the Exchange's Free market, including the disclosure duties of the issuer. The Listing Committee decides whether a security is accepted for trading on the Free market in accordance with the current regulations.

No. of issues on the Main and Secondary markets



Disclosure duties of issuers

Issuers of securities admitted to trading on the Main and Secondary markets are subject to strict disclosure duties specified in the Exchange Regulations. These involve in particular providing:

- quarterly financial results and audited annual financial statements
- information about the holding of general meetings and any resolutions adopted
- all information which can cause the price of a security to change

During 2000, the Exchange closely monitored fulfilment of the disclosure duty. Companies which did not fulfil the stipulated obligations were sanctioned. Based on recommendations made by the Exchange Listing Committee, the Exchange Chamber imposed a total of six sanctions on issuers.

Sanctions imposed on issuers in 2000

Type of sanction	No. of sanctions
Private reprimand	2
Public reprimand	1
CZK 50,000 fine (publicly announced)	2
Permanent exclusion of a security from trading	1

Changes in Exchange Regulations

In 2000, there were several changes to Exchange regulations concerning the admission of issues to trading on Exchange markets and the duties of issuers. Some of these involved standardisation of the Exchange environment to bring it into line with EU directives and the listing rules on advanced markets, while others related to amendments to the legislation on the capital market. These led to certain changes in terminology, new powers on the admission of securities, extension of the disclosure duties of issuers and the setting up of an Exchange body dealing with administrative procedures.

The Tariff of Exchange Fees for 2000 underwent a major change when the maximum annual fee for trading and settlement of securities on the Secondary market was reduced from CZK 120,000 to CZK 85,000. The one-time fee for admission of securities to the Free market in 2001 was also reduced from CZK 30,000 to CZK 5,000.

Securities numbers

Securities traded at 31 December 2000

	Shares and units	Bonds
Main market	5	30
Secondary market	60	11
New market	0	0
Free market	86	53

Securities introduced on the Main and Secondary markets in 2000

w.e.f.	Title	Type of security*)
Main market		
18 January 2000	IPB 8,9/04	BB
21 January 2000	government bond 6.90/03	GB
18 February 2000	government bond 6.75/05	GB
9 March 2000	government bond 7.95/04	GB
17 March 2000	government bond 6.30/07	GB
14 April 2000	government bond 6.40/10	GB
17 April 2000	EIB 6.50/15	BB
Secondary market		
18 January 2000	SLOVEN. EL. VAR/03	CB
9 February 2000	UNION LEAS. VAR/05	CB
10 July 2000	GLAVERBEL CZ VAR/08	CB
11 July 2000	ČEB 6.95/10	BB
20 July 2000	PHA FIN. BV 6.95/10	CB
22 August 2000	VEBA 12.5/01	CB
26 October 2000	ŠKODA AUTO VAR/10	CB
26 October 2000	ŠKODA AUTO VAR/07	CB
26 October 2000	ŠKODA AUTO 7.25/05	CB

*) BB = Bank bond, CB = Corporate bond, GB = Government bond

Securities withdrawn from the Main and Secondary markets *)

w.e.f.	Title	Type ¹⁾	Reason for withdrawal
Main market			
3 May 2000	ČEZ I I.3/05	CB	paid before maturity
20 June 2000	ST. DLUHOP.7.95/04	GB	on demand of the Czech Ministry of Finance
27 June 2000	KOMERČNÍ BANKA IF	S	transformed into an open unit fund
1 September 2000	IPB	S	decision of the Exchange Chamber
29 September 2000	RIF	S	transformed into an open unit fund
Secondary market			
5 January 2000	ŽEL. STAVITEL. PRAHA	S	public tradeability cancelled
1 February 2000	VÍTKOVICE	S	transfer to the Free market
1 March 2000	MILO OLOMOUC	S	winding up with liquidation
1 March 2000	SELIKO	S	winding up with liquidation
3 March 2000	VERTEX	S	public tradeability cancelled
9 March 2000	PF IKS KB PLUS	U	transformed into an open unit fund
17 March 2000	PLZEŇSKÝ PRAZDROJ	S	public tradeability cancelled
28 March 2000	2. SPOŘIT. PRIVAT. IF	S	transformed into an open unit fund
2 May 2000	SUŠICKÝ HOLDING	S	on demand of the issuer
19 May 2000	BOHEMIA SEKT	S	public tradeability cancelled
1 June 2000	ZPA PEČKY	S	decision of the Exchange Chamber
27 July 2000	SPIF VŠEOBECNÝ	S	transformed into an open unit fund
11 August 2000	BVV BRNO	S	public tradeability cancelled
22 August 2000	KVANTO IPF	S	transformed into an open unit fund
1 September 2000	ARMABETON PRAHA	S	decision of the Exchange Chamber
2 October 2000	ELEKTRÁRNÝ OPATOVICE	S	public tradeability cancelled
2 October. 2000	SG-INDUSTRY	S	transferred to the Free market
21 December 2000	DEZA	S	public tradeability cancelled
29 December 2000	ČESKOMORAVSKÝ LEN	S	on demand of the issuer
29 December 2000	VODNÍ STAVBY	S	winding up with liquidation
*) The table does not include bonds excluded by their maturity date			
¹⁾ S = Shares, CB = Corporate bonds, GB = Government bond, U = Units			





Trading

The Trading Control Department was formed in 2000 from the Trading

Supervision and Statistical Section (TSSS) and the Securities Section (SS). At the beginning of 2001, in line with changes in the Exchange's organisational structure, a new Securities Department was set up and responsibility for statistics was transferred to the Marketing and PR Department. TSSS's work in the first half of 2000 concentrated on implementing the Uniform Order Book project and a project for standardising direct trades in blocks of securities. Apart from the ordinary work associated with daily supervision of trading, TSSS staff also carried out the extensive tests necessary before projects were started. A number of changes in the application of trading supervision were associated with the implementation of projects, and these were prepared and tested in cooperation with the IT Department. Changes to the Exchange's rules and regulations, specifically regulations governing trading in individual segments, preceded the preparation of projects. TSSS staff also played an active part in redesigning the Exchange's Internet pages and in further extending the statistical section of the website. In the second half of the year TSSS's work focused on preparing amendments to the regulations governing trading called for by amendment of the Stock Exchange Act and the Securities Act.

Vladimír Ezr, Deputy General Secretary and Director of the Trading Control Department

Work of the Trading Control Department in 2000

During 2000, trading on the Exchange underwent some relatively major changes, which culminated on May 2 in the launching of the Uniform Order Book project. This enabled the Exchange to offer its members the standardised environment for concluding trades which is customary on developed foreign markets. The launch of this project was accompanied by changes to the Exchange rules and regulations and adjustments in individual market segments.

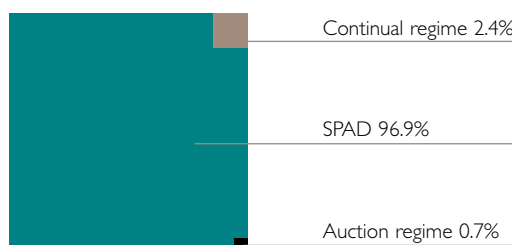
Continual trading at fixed and variable prices (additional orders and KOBOS) was replaced by automated trades under auction and continual regimes. Direct trades in blocks of securities were standardised, with direct trading replaced by block trades. There were no major changes in the SPAD segment, the only difference being in the number of issues traded. With effect from June 16, the Securities Commission suspended trading in the shares of IPB, a.s., on September 29 trading in the RIF issue was halted because of this investment fund's conversion to an open unit fund and on October 24 the IPS PRAHA issue was excluded. Conversely, on October 9 the TABÁK issue (renamed on November 27 as the PHILIP MORRIS ČR issue) was included in the SPAD system. By the end of 2000, seven joint stock company issues were being traded in SPAD.

Trading segments

During 2000, the Exchange arranged a total of 249 problem-free trading days for members through its automated trading system, which in contrast to previous years functioned very reliably and led to no restrictions being imposed on traders during trading throughout the year. It was possible in 2000 to trade on the Exchange within the framework of prompt trades in the following segments:

- the SPAD system
- automatic trades
 - auction regime - closed and open phases
 - continual regime
- block trades

Composition of trades on the CM in 2000 - shares and units



Exchange indices

In the year 2000, 14 of the issues forming the base of the official PX 50 Index were replaced, including one outside the date of periodical updating. The main reason was the expected exclusion of the issue from trading.

During the year two issues left the base of the PX-D Index which is made up of issues traded in the SPAD system. The IPB issue was excluded on July 3 because of its suspension from trading and the IPS PRAHA issue on December 18 because it finished trading in the SPAD segment. At the end of 2000 six issues formed the base of the PX-D Index: ČESKÁ SPOŘITELNA, ČESKÉ RADIOKOMUNIKACE, ČESKÝ TELECOM, ČEZ, KOMERČNÍ BANKA and UNIPETROL.

There was a reduction in the number of sector indices during 2000. Because of an insufficient number of basic issues, the B102 Food Production index was closed down on March 1. The B106 Wood and Paper Production ended on May 2 for the same reason. At the end of 2000, the Exchange set the values in 16 sector indices.

Relative values of the PX 50 and PX-D indices in 2000 (100% = value at 5 January 2000)



Evaluation of trading results in 2000

The total annual value of trades rose year-on-year by 3.0% to the record figure of CZK 1,222.8 billion. The average daily value of trades (CZK 4.911 billion) increased by 5.0% against the previous year. The first half of the year was substantially more successful, with securities worth CZK 769.5 billion traded, which represented 62.9% of the annual value of trades. While at CZK 264.1 billion the value of trades on the share and unit market rose year-on-year by 61.6%, the value of bonds traded (CZK 958.7 billion) fell by 6.4%. The %age of shares and units in the total value therefore rose from 13.8% in 1999 to 21.6% in 2000.

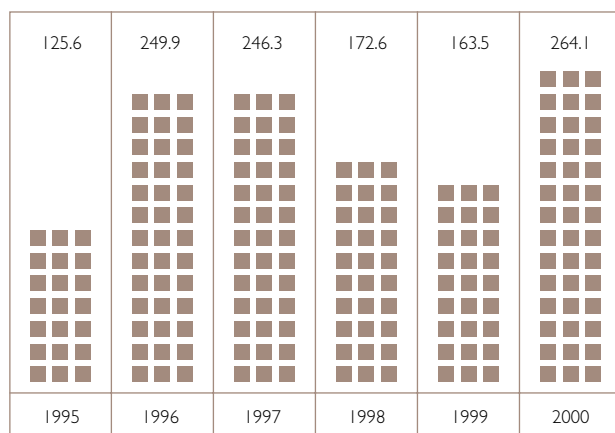
Share and unit market

The total value of trades reached the record annual figure of CZK 264.1 billion, which is 5.7% more than the previous record of CZK 249.9 billion in 1996. 71.8% of the year's value of trades were realised in the first half of the year. The pricing Central market, whose value of trades at CZK 245.8 billion rose year-on-year by 72.8%, accounted for 93.1% of the total value. The SPAD trading segment accounted for 96.9% of the trades concluded on the Central market.

The Exchange's official PX 50 Index closed the year at 478.5 points, a year-on-year fall of 2.3%. The global PX-GLOB index also fell by 2.9%. In contrast, the PX-D Index, based on the six most liquid issues (91% of total value of trades) increased by 5.3% year-on-year. The transport and communications sector, which has the biggest influence on the cross-sectoral indices, saw a 9.5% fall in prices. In the key capitalisation sectors, the financial sector improved by 14.65% and chemicals by 10.0%. The energy sector index, however, fell by 3.5% against the previous year.

Market capitalisation at the end of the year reached CZK 442.9 billion. Year-on-year this was a fall of 7.7%, with the number of share and unit issues falling from 195 (at 30 December 1999) to 151 (at 29 December 2000).

Annual value of trades - shares + units (CZK billion)



The bond market

Of the total value of bond trades of CZK 958.7 billion in 2000, bank bonds accounted for 37.6%, government bonds for 37.0% and corporate bonds for 20.8%. Mortgage debenture bonds accounted for 3.8% and municipal bonds for 0.8% of the total annual value of bond trades. Market capitalisation rose year-on-year by 21.2% from CZK 231.1 billion at the end of 1999 to CZK 280.1 billion at 29 December 2000.

Settlement

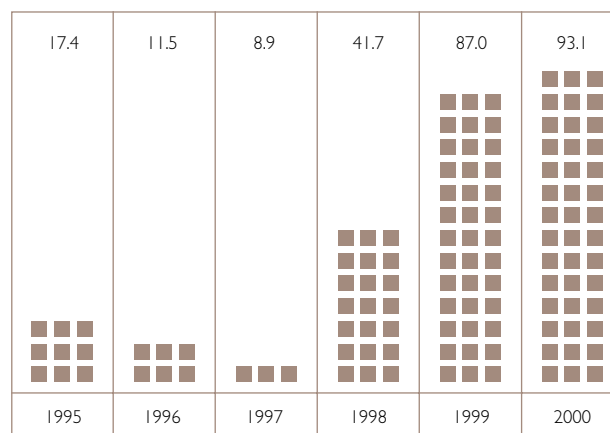
As in previous years, settlement of members' Exchange trades was arranged by the subsidiary company UNIVYC, a.s.

The results of settlements in 2000 confirmed the trend apparent in recent years for values of trades to increase at the expense of their number. During last year UNIVYC settled a total of 409,000 transfers of securities worth CZK 2,282 billion. Of this amount, CZK 842 billion represented Exchange trades and CZK 1,403 billion trades off the Exchange. UNIVYC also settled more than CZK 35 billion in primary bond issues, almost CZK 1.5 billion of which were transfers on settlement of trades of securities which were not publicly tradeable. Altogether, UNIVYC settled almost 96% of the total value of securities trades on the Czech capital market.

In 1999, UNIVYC solved the problem of wastage of securities offered for loan. At the beginning of 2000 only four titles placed by three lenders remained in the system, which was also closely related to the fall in loans provided. However, UNIVYC was able to secure an inflow of securities, so that by the end of 2000 it could offer all securities in the SPAD segment, except for the PHILIP MORRIS CR share issue.

Since the beginning of 2000, UNIVYC has been able, with ČSOB (the Czechoslovak Commercial Bank) acting as "custodian", to settle trades in foreign securities at the Clearstream Settlement Centre. In July, UNIVYC became one of the participants in settlements, and at

% age of CM in shares + units trades (CZK billion)

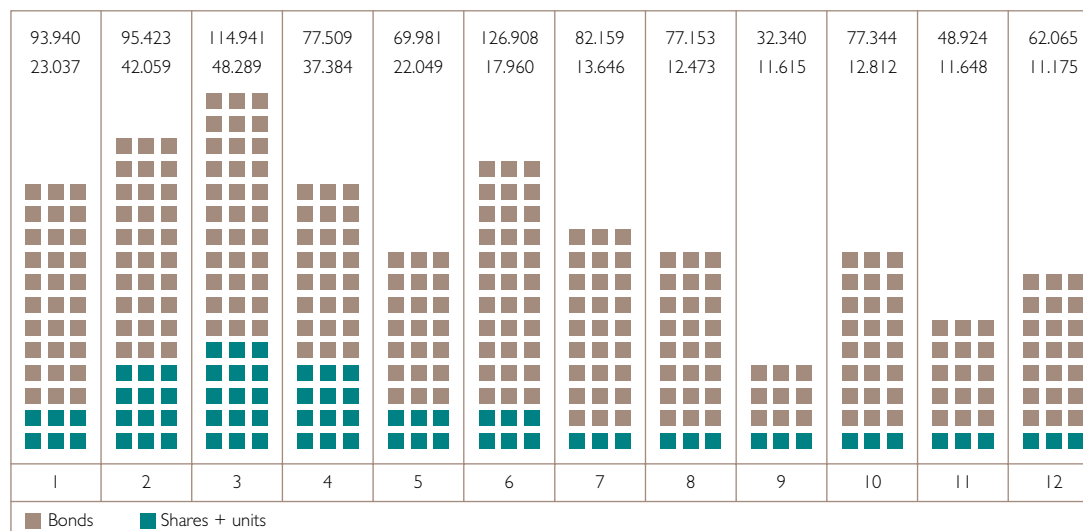


Values of trades in 2000 by type of market and security

		Bonds		Shares		Units		Total	
		Value (CZK billion)	Volume (000)	Value (CZK billion)	Volume (000)	Value (CZK billion)	Volume (000)	Value (CZK billion)	Volume (000)
Main market	CM	0.007	2	210.782	740,271	0.000	0	210.789	740,274
	BT	732.217	73,499	2.936	5,945	0.000	0	735.152	79,444
	Total	732.224	73,501	213.718	746,216	0.000	0	945.941	819,717
Secondary market	CM	0.002	1	33.687	34,507	0.100	232	33.789	34,740
	BT	19.179	770	11.754	35,950	0.306	642	31.238	37,361
	Total	19.181	770	45.441	70,457	0.405	874	65.027	72,101
Free market	CM	0.000	0	0.978	1,807	0.281	235	1.260	2,042
	BT	207.283	14,839	1.536	2,645	1.786	677	210.605	18,161
	Total	207.283	14,839	2.514	4,452	2.067	912	211.865	20,203
Total	CM	0.010	3	245.447	776,585	0.381	467	245.838	777,055
	BT	958.678	89,107	16.225	44,540	2.092	1,319	976.995	134,966
	Total	958.688	89,110	261.672	821,125	2.473	1,786	1,222.833	912,021

CM = Central market, BT = Block trades

Monthly value of trades in 2000 by shares + units and bonds (CZK billion)



the start of 2001 it established a direct link with Clearstream using CEDCOM 2000 software. Citibank, a.s. acted as the correspondent bank for payments.

Perfection of the system of managing and monitoring risks arising from settlements was shown to be inevitable. The development department created internal rules for management of crisis situations, and at the same time it set up a commission of UNIVYC staff to deal with resolution of crisis situations. In March 2001 a working group composed of outside specialists was set up to evaluate the rules of the Exchange and UNIVYC from the point of view of risks attached to the settlement of securities trades.

In line with the requirements of the Czech Republic's Ministry of Finance, a project for monitoring suspicious trades is now at the

testing stage. This will become part of a broader project to monitor the positions of members and assess the risks these currently entail.

In June, as part of its re-licensing of subjects operating on the capital market, the Securities Commission renewed UNIVYC's licence to settle securities trades.

In the second half of the year, work began on taking over part of the Securities Centre's database - the securities sub-register. After an introductory study was approved by the Securities Commission and the Securities Centre, UNIVYC is now preparing a detailed draft of the project.

On the basis of an amendment to the Securities Act, UNIVYC has been working with the Exchange since January 2001 to create conditions which would allow members to settle guaranteed trades involving pledged securities.



Information and Trading System

Work continued in 2000 on further developing and stabilising the Exchange's trading and information systems. The main effort was directed towards completing and introducing the Uniform Order Book project, increasing the reliability and security of the Exchange's technical systems and communications channels, developing more software to support inspection work, creating a new information system based on the www and ftp server and a number of other projects.

Miroslav Prokeš, Director of the IT Department

The Uniform Order Book (UOB) project allowed simplification of the trading system and the supply of services comparable with the systems used on advanced capital markets. The aim of the UOB project was to unify and simplify the order acceptance system and centralise orders in a single database, which enables discretionary combination of various trading strategies and the placing of orders at any time during the trading day. The system's parameters can be easily adjusted to meet the needs of traders interested, for example, in multifixing and using various algorithms to pair orders and diversify trading in auction and continual regimes during a particular Exchange day.

In the area of work supporting the activities of Exchange units, great efforts were made to develop additional software for use in inspection work. At the end of 2000, the 2nd stage of a project for detailed monitoring and evaluation of data on orders, trades and transfers carried out by Exchange members was handed over for introduction. The results of analytical monitoring using such software confirmed the considerable efficiency of this form of work and its accuracy, which reduces the number of "physical" inspections at Exchange member firms while simultaneously allowing comprehensive oversight of trading on the Exchange.

2000 was also an important year because of the improved security of the Exchange's technical and communications systems. Based on a needs analysis, a proposal was devised for solving problems in individual areas. The Exchange's communications with members, information agencies, the Czech National Bank and issuers were chosen as the key area where security could be improved (through the use of authentication, electronic signatures and coding). In 2000 the problem of securing authenticated and coded data transmission between the Exchange and its members was solved. The Exchange also began extensive work on technical problems posed by the transition from an SNA communications protocol to the TCP/IP protocol in links to Exchange members and information agencies. The change is motivated by a desire to ensure the security and transfer of applications to an environment favourable to future introduction of the TCP/IP protocol. Preparations were also begun on providing a secure link and data transmission facilities to the Czech National Bank, and the first steps were taken to further improve security in the Exchange's internal information system vis-a-vis the Internet (secure e-mail). During the year, in collaboration with the information agencies, the Exchange began the transition to secure links by means of routers. When these changes are completed in 2001, links to members and information agencies will be unified with the Exchange information system.

In February 2000 the new www and ftp server began operating. The new web pages included a new design and a much wider range of data. This resulted in more than twice as many visits to the site as compared with the original Exchange pages, and the number of positive responses both from abroad and at home shows that the new website has helped to improve the availability of information on the Exchange and its transparency.





Inspection Activities

The year 2000 was also characterised by substantial development of the Exchange's inspection work in line with the strategy adopted by the Exchange Chamber in 1999. The Exchange's aim is to protect participants in the capital market against dishonest conduct. It therefore makes every effort to ensure that customers are provided with wholly professional services, to protect customers' property, create transparent market conditions and restrict insider trading, and oversee observance of the rules for trading on the Exchange. Given these aims, the Inspection Department sets out to improve the effectiveness and efficiency of the system of capital market supervision, so that any breaches of the duties laid down in the Securities Act, the Stock Exchange Act, the Exchange Rules and the Exchange Regulations are detected in time. The Inspection Department's role is to continue assisting market participants by choosing measures which will result in conditions conforming to all normal capital market standards and to create the prerequisites for taking effective measures when a deviation from the Exchange rules and regulations or generally binding legal regulations is discovered.

Vladimír Skalný, Director of the Inspection Department

During 2000, the Inspection Department carried out a total of 135 inspections. Based on these, 104 sanctions were imposed on 38 members, some members being sanctioned more than once. Sanctions were most often imposed for breaches of the Exchange Membership Regulations, the Rules for Keeping Records of Trades and the Trading Rules Applicable to the Shares and Bonds Supporting System (SPAD).

Sanctions imposed on exchange members in 2000

Type of sanction	No. of sanctions
Reprimand	30
Fine of CZK 10,000-50,000	69
Public notice on a breach of duties of an Exchange member	4
Suspension from trading on the Exchange	1

As a result of increased inspection activity in the period under review, the conduct of members changed, as did also later the procedure for detecting breaches. There was a clear decline in breaches related to provision of professional services, which helped to give greater protection to clients, and conversely an increase in breaches of the Trading Rules.

The results of inspection activity reflected the expansion of analytical work. Selected trades and situations were monitored daily and, based on the results of this analysis, operational inspections investigating specific cases of possible breaches of legal regulations began immediately.

During 2000, programme back-up for inspection work was gradually developed and perfected. The basic aim was to ensure a spontaneous, sufficiently operational and speedy approach by inspection staff to the data necessary for their inspection and arbitration work. Throughout the whole period software was developed, introduced and effectively applied in their work - especially signalling functions, involving the identification of selected trades and situations and the possibility of making general inquiries related to data necessary for analytical and inspection work.



Inspection activities were also made more effective by the amendment of the Rules of Control Work. This redefined the role and direction of inspection work, regulated individual types of inspection activity, especially in the area of analytical monitoring, and introduced stricter inspection procedures which carried greater legal weight when measures were taken to remedy irregularities or when sanctions were imposed. In 2001, the Inspection Department intends to run checks on the ethical conduct of members, fulfilment of membership conditions, observance of trading rules and breaches of market transparency. Work on developing software programmes supporting inspection work will continue with gradual expansion and improvement of their applications.

Membership

In 2000, 11 companies decided to terminate their membership of the Exchange. The company CYRRUS, s.r.o., became a new Exchange shareholder and member. The Exchange had 44 members at the beginning of 2001.

The following companies terminated their Exchange membership during 2000:

- Erste Bank Sparkassen, a.s., following the ending of its banking activities
- i-Tech Capital, a.s.
- OESTERREICHER & spol., s. r. o.

Exchange membership was terminated as at 31 December 2000 by:

- BÖHM & partner a.s.
- Burzovní společnost pro kapitálový trh, a.s.
- C.S. BROKERS burzovní, a.s.
- DELTA SECURITIES, a.s.
- GES INVEST, a.s.
- GUTMANN & CIE, a.s.
- INVESTKONZULT, a.s.
- J.F. WORLD BROKERS s.r.o.





Marketing and PR

Open communications with the investing public is a basic principle of the Exchange in its relations with the public. It provides the media with the results of trading and information about its members, securities and all related activities, and publishes this information on its Internet pages. In 2000 the External Relations Department was responsible for the Press Section, marketing activities, including the sale of the Exchange information, personnel affairs and foreign relations. Following the Exchange's structural reorganisation, at the beginning of the year 2001 the department's name was changed to the Marketing and PR Department. It was no longer responsible for personnel matters and its responsibilities were widened to include statistics.

Jana Marcová, Director of the Marketing and PR Department

Information openness in 2000

Since March 2000, the Exchange has extended the information it previously provided on members' trading. It began to publish monthly trading values broken down into shares/units and bonds. At the start of each month it published monthly statistics, including in an electronic version, on trading in individual segments in the previous month. Regular communication with the public was further supported by the issue of official press statements (86 during the year) in which it gave up-to-date information about events on the Exchange. Since July 2000 it has for the first time been providing the media with Exchange statistics at weekly, monthly, quarterly, half-yearly and annual intervals.

In December the Exchange installed an information stand in the Exchange Palace Arcade, where the public has access to current trading results. This service, provided through two computers with contact monitors and flat panel monitor (42") is connected to the Exchange's Internet pages. It is intended for use by members of the investing public interested in accessing Exchange data in electronic form.

One of the Exchange's most important educational initiatives in 2000 was the organisation of a conference on "Financing Businesses through the Capital Market". This followed a similar event organised by the Exchange in 1999 on the disclosure of information by issuers. The main aim of the 2000 conference, held on 20 April at the Ambassador Hotel, was to familiarise financial market participants with the various ways of financing a company's expansion, emphasising the positive and negative aspects of the individual forms. The conference was organised under the auspices of the then finance minister Pavel Mertlík. It was intended not only for representatives of viable companies interested in raising finance on the capital market, but also for securities dealers, Exchange members, institutional investors and state administration. Other Exchange's educational activities were earmarked for fewer participants, in particular for investors, representatives of Exchange members and for Czech and foreign students. The Exchange's annual ball on March 17 was organised in conjunction with the company Aspekt Kílculen, s.r.o. This social event is traditionally associated with the distribution of prestigious information openness awards - Paegas Signum Temporis.

Disseminating Exchange information

Another aspect of the Exchange's marketing activities is the sale of Exchange information to end-users and information agencies. This ensures further dissemination of Exchange information to its clients. During 2000, in collaboration with the information agencies, the Exchange began communicating with them through secure routers. When changes to this are completed during 2001, members and information agencies will be directly linked to the Exchange information system.

The year 2000 also brought major changes in the electronic dissemination of Exchange information. The Exchange finished preparing new Internet pages which the investing public could access from 1 February 2000. These included a change of image and additions to the textual part of the site but above all a significant expansion of the data provided. The main advantage of the new pages is that they include the PX 50 and PX-D indices in real time, continuous trading results and detailed information about issues and issuers on Exchange markets. The English version was also expanded so that its contents are now the same as the Czech text. Since the opening of the new website, the number of visits to the site has been continually increasing.

Foreign relations

In the field of foreign relations, the Exchange has continued its efforts to be included in the integration processes taking place both in Europe and globally. It has continued to take part in negotiations about associate membership of the European Federation of Stock Exchanges (FESE) and about membership of the International Federation of Stock Exchanges (FIBV). Senior representatives of the Prague and London stock exchanges signed a Memorandum on Cooperation in Prague on May 10. This initiative met with a resounding response from the international media, which saw it as recognition of the level of standardisation achieved by the Prague Stock Exchange. On May 31, the City of London's Lord Mayor, Alderman Clive Martin, visited the PSE, and at a press conference organised by the Exchange he expressed his conviction that major positive changes had taken place on the Czech capital market. He promised to support the growing interest among British investors in the Czech Republic. Cooperation with the group of five central European stock exchanges continued. On June 16, at joint meeting in Ljubljana, representatives of the exchanges signed a Memorandum of cooperation on the exchange and accessing of selected exchange information and preparation of a joint presentation at the international conference in London.

Personnel policy

In the field of personnel affairs, the Exchange continued improving the specialist skills of its staff, especially in the areas of information technology and derivative products. It continued to concentrate on developing their language skills by organising language courses and individual lessons. The Exchange contributed financially to the individual health care of its staff and also extended the range of free sporting activities available to them. At the end of the year it began preparing a supplementary pension scheme which will be financially supported by the employer.



Exchange Bodies



Exchange Chamber

Exchange Chamber is the Exchange's statutory body which directs its activity and acts in its name. In accordance with its plan of activities, the Exchange Chamber met at a total of 13 ordinary and extraordinary meetings during 2000.

Composition of the Exchange Chamber as at 31 December 2000

Chairman:

George Jedlička

PricewaterhouseCoopers Česká republika, s.r.o.

Current post: Director of FAS (Financial Advisory Services)

Date of birth: 13 January 1951

Education: St. John's University

Vice-Chairman:

Dušan Baran

Česká spořitelna, a.s. - shareholder representative

Current post: Vice-Chairman of the Board of Directors and Financial Director

Date of birth: 6 April 1965

Education: Faculty of Mathematics and Physics, Charles University, GSBC University of Colorado

Members:

Zdeněk Bakala

Patria Finance, a.s.

Current post: Managing Director

Date of birth: 7 February 1961

Education: University of California

Petr Bodnár

BODY INTERNATIONAL BROKERS a.s. - shareholder representative

Current post: Chairman of the Board of Directors

Date of birth: 12 September 1954

Education: University of Economics

Miroslav Fučík

Union banka, a.s. - shareholder representative

Current post: Vice-Chairman of the Board of Directors and Deputy General Director

Date of birth: 27 April 1954

Education: Mining University, Ostrava

Věslav Michalík

CA IB Securities, a.s. - shareholder representative

Current post: Chairman of the Board of Directors

Date of birth: 1 March 1963

Education: Faculty of Nuclear Physics, Czech Technical University

Jan Sýkora

Wood & Company, s.r.o. - shareholder representative

Current post: Authorized Representative and Director

Date of birth: 18 January 1972

Education: University of Economics, Rochester Institute of Technology

Tomáš Ševčík (member since 23 March 2000)

Harvardská burzovní společnost, a.s. - shareholder representative

Current post: Chairman of the Board of Directors and Managing Director

Date of birth: 3 February 1969

Education: University of Economics

Radovan Vávra (member since 12 June 2000)

Komerční banka, a.s. - shareholder representative

Current post: Chairman of the Board of Directors and General Director

Date of birth: 27 November 1963

Education: University of Economics, University of South Carolina

Jan Vinter

Všeobecná úverová banka a.s. - shareholder representative

Current post: Director of the Prague branch

Date of birth: 11 March 1940

Education: Law Faculty of Charles University

Petra Wendelová

ERNST & YOUNG, s.r.o.

Current post: Corporate Finance Partner

Date of birth: 3 June 1962

Education: University of Economics

The following members resigned from the Exchange Chamber in 2000:

Petr Budinský (resigned at 17 May 2000)

Komerční banka, a.s. - shareholder representative

Ladislav Bartoníček (resigned at 20 September 2000)

Česká pojišťovna, a.s. - shareholder representative

Libor Procházka (resigned at 30 November 2000)

Investiční a Poštovní banka, a.s. - shareholder representative

The Supervisory Board

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

Composition of the Supervisory Board as at 31 December 2000

Chairman:

František Vejmla

Date of birth: 23 September 1936. Education: University of Economics

Members:

Jiří Klumpar

GE Capital Bank, a.s.

Current post: Member of the Board of Directors and Senior Director, Compliance Division. Date of birth: 9 May 1956

Education: Faculty of Nuclear Science and Physical Engineering, Czech Technical University

Lumír Nováček

Investiční společnost Union, a.s.

Current post: Director. Date of birth: 30 April 1965

Education: Machine Engineering Faculty, Technical University Brno

Radko Resch

Harvardská burzovní společnost, a.s.

Date of birth: 27 September 1953

Education: Law Faculty of Charles University, Prague

Jan Struž

ING Bank N.V., organisational unit

Current post: CEO

Date of birth: 5 May 1949. Education: University of Economics

General Secretary

Pavel Hollmann

Date of birth: 27 April 1948

Education: Machine Engineering Faculty, Czech Technical University

The Exchange Membership Committee

Chairman: Ladislav Bartoníček, Česká pojišťovna, a.s.
(resigned at 20 September 2000)

Vice-Chairman: Aleš Tříška, INVESTKONSULT, a.s.

Secretary: Josef Marek, PSE

The Committee met 11 times during 2000. It was mainly concerned with ensuring that investors were provided with quality services, the higher demands made on member firms, and defining and supervising fulfilment of Exchange members' disclosure duties. It verified the capital adequacy of Exchange members, and discussed the results of monitoring fulfilment of their duties by Exchange members, reports by the Exchange Inspector and draft proposals for changes to Exchange rules and regulations. The Committee evaluated a total of seven proposals for changes to the Exchange rules and regulations in the wake of legislative amendments to membership conditions.

The Inspection Department submitted reports on 135 inspections to the Committee. The Committee passed on serious breaches of the Exchange Regulations to the Exchange Chamber, together with recommendations that sanctions be imposed. The Exchange Chamber imposed a total of 104 sanctions for breaches of the Exchange Regulations and Exchange rules. The Committee also concerned itself with development of the membership and shareholding structure and discussed nine transfers of Exchange shares. 1,000 shares owned by the Exchange were transferred to a new shareholder, CYRRUS, s.r.o. 38,000 shares owned by IPB, a.s. were also transferred to ČSOB, a.s. which as a result became the Exchange's largest shareholder.

At its regular meetings, the Committee also dealt with members' fulfilment of obligations like prompt payment of their membership contributions and the general conditions of membership with the aim of ensuring fulfilment of obligations ensuing from concluded trades. Greater attention was devoted to the economic stability of members monitored on the basis of the amount of their equity capital.

The Exchange Trades Committee

Chairman: Jan Sýkora,
Wood & Company, s.r.o.

Vice-Chairman and Secretary: Pavel Hollmann, PSE

During 2000, the Committee met as and when necessary to discuss prepared documents. A regular item on their agenda was information on the results of trading. In the first half of 2000 the Committee concerned itself mainly with preparing

amendments to the Exchange Regulations required by the standardising of block trades and introduction of the Uniform Order Book. In the second half of the year discussion at the Committee concentrated on issues raised by proposals and suggestions made by traders about how to ensure the transparency of trading and settlement of Exchange trades. In relation to amendment of the Stock Exchange and Securities Acts, at the end of the year the Committee concerned itself with amending the Exchange Regulations and the correct introduction of parameters for trading and guarantees connected with the settlement of Exchange trades.

The Exchange Listing Committee

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

Vice-Chairman: Pavel Makovec, EPIC Securities, a.s.
Petr Šobotník, PricewaterhouseCoopers
Audit, s.r.o.

Secretary: Eva Štrupová, PSE

At its regular monthly meetings in 2000, the Committee discussed and approved applications for the admission of securities to trading on the Main and Secondary Exchange markets, carried out regular checks on fulfilment of obligations by issuers admitted to trading on these prestigious markets, and played a major part in amending the Exchange Regulations governing the disclosure duties of issuers.

The Committee cooperated with other Exchange bodies in amending the Regulations on Inspection Activities, which are part of the Exchange Regulations. This led to a substantial expansion of the Exchange's inspection work in relation to issuers by introducing analytical monitoring of securities issuers admitted to Exchange trading. Analytical monitoring takes the form of systematic monitoring of available information on events concerning the issuer and running evaluation of this information. The Committee also played a major part in amending the Rules Governing Admission of Securities to Trading on the Exchange Market (part of the Exchange Regulations) which came into force in mid-year.

Following amendment of the Stock Exchange Act, the Committee helped amend the Exchange's administrative procedure, the change also being reflected in the Exchange Regulations. In accordance with the amendment of the Act, from 1 January 2001 the Exchange decides in administrative procedure on the refusal of a security to trading, and on the suspension or exclusion of a security.

During the year the Committee discussed a method of sanctioning issuers for a breach of disclosure duty which significantly contributed to further transparency of the Exchange market and legal security of securities issuers.



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The page features a solid brown background with several teal-colored squares scattered across it. There are 18 squares in total, arranged in a pattern that roughly follows the shape of the text 'Financial Part'. The squares are located at various positions: one at the top right, one on the left side, one in the upper middle, one in the lower middle, one on the far left, and a cluster of 14 squares at the bottom right.

Financial Part



Comments on Financial Results

The rules applying to financial management in the year 2000 were based on the Exchange budget approved by the Chamber in December 1999. The aim was to balance resources and requirements for the year as efficiently as possible. The final result shows that the basic accounting principles of prudence, circumspection and economy were upheld. The representation of the company's economic activities in the accounts indicates that all procedures leading to truthful and accurate depiction of the relevant facts were observed, as the Auditor's Report also confirms.

Petr Horáček, Director of the Economic and Administration Department