





**Petr Kobic**  
Chief Executive Officer  
Prague Stock Exchange



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## COMPANY PROFILE

The Prague Stock Exchange is the largest and oldest organizer of the security market in the Czech Republic. After a fifty-year break caused by the Second World War and the Communist regime it was opened once again in 1993 and it resumed the activities of the Prague Commodity and Share Exchange founded in 1871. According to law, it is a stock company and its trading is realized through licensed securities dealers who are at the same time members of the Exchange. The company's highest executive body is the General Meeting and the statutory body directing its activities is the Exchange Chamber. The business and work in general is supervised by the Supervisory Board. The Company is supervised by the General Director, who is appointed and dismissed by the Exchange Chamber.

The Exchange itself is a member of the Federation of European Securities Exchanges (FESE) and enjoys the status of a so-called "Designated Offshore Securities Market," as designated by the U.S. Securities and Exchange Commission (U.S. SEC).

The results of exchange trades are released on the Exchange Internet pages [www.pse.cz](http://www.pse.cz), and are also made public via media and information agencies.

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## HIGHLIGHTS OF 2007

### **22 January**

The PX index closed at 1,634.5 points, exceeding the previous maximum of 1,626.1 points reached on 18 December 2006.

### **29 January**

The Exchange extended its offer of derivatives by two underlying assets, offering futures to two issues of shares traded in the SPAD elite segment. They concern three-month and six-month contracts to share issues of ČEZ and ERSTE BANK.

### **6 February**

On 6 February 2007, the PX index closed at 1,718.4 points, thus exceeding the previous maximum closing value of 1,694.4 points reached on 5 February 2007.

### **19 February**

Prague Stock Exchange began operating its web site <http://www.px.cz>, intended for local beginning investors. The objective of this project is to provide simple and comprehensible information to the general public relating to the activities of the exchange, its role on the capital market, and, especially, the functioning of investment instruments traded on the exchange.

### **8 March**

The Prague Stock Exchange became a partner of the newly established Unicorn College, which specializes in information and communication technologies and management.

### **16 April**

The PX index closed at 1,814.1 points, exceeding 1,800 points for the first time in its history.

### **17 May**

The Exchange, together with its partners, organised a seminar with international participation on the topic "The significance of the capital market for the Czech economy".

### **22 May**

The Prague Stock Exchange became a titular partner of the competition The Company of the Year. Thus, in 2007 the competition bore the name "PX COMPANY OF THE YEAR 2007".

### **1 July**

The Prague Stock Exchange adjusted the structure of the regulated market, merging the main and secondary markets. The resulting combined market bears the name the main market of the exchange.

### **9 July**

The PX index closed at 1,903.8 points, thus exceeding the limit of 1,900 points for the first time in its history.

### **30 July**

The total daily futures trading value amounted to CZK 69,173,000, which is the present record amount.

### **24 September**

The AAA company became the first IPO on the Prague Stock Exchange in 2007. Trading in shares designated AAA ISIN NL0006033375 began in the automatic trading regime and in SPAD.

## HIGHLIGHTS OF 2007

### **24 October**

Trading began on the Prague Stock Exchange's official free market with an issue of structured products from Barclays Capital, which is the investment division of Barclays Bank PLC. This company thus became the second issuer of structured products traded on PSE.

### **3 December**

Volksbank AG introduced eleven new investment certificates to the market and thus became an issuer of structured products on PSE.

### **7 December**

On this day, trading in shares of the company VGP N.V., the second IPO in 2007, began on the market.

### **27 December**

The AAA issue was included in the PX index basis, thus becoming the twelfth constituent of the index basis.

## HIGHLIGHTS OF 2008

### **5 February**

Trading in shares VIG, ISIN AT0000908504 started. The shares are traded concurrently on Prague Stock Exchange and on Vienna Stock Exchange.

### **5 March**

Trading with three new investment certificates was launched. Issuer of those certificates is Volksbank AG.

### **25 March**

An amendment to the principle of PX index base updating came into force. The most important change is that the index base can compose dual listed share issues, whose trade value at the Prague Stock Exchange is lower than 10% compared with the primary market within the period of 6 months.

### **28 March**

Trading with a new issue of investment certificates ElektrinaGarVB-AFT began. Issuer of those certificates is Volksbank AG.

### **1 April**

There has been a 15-minute extension of the trading day at the Prague Stock Exchange. From this day, it is possible to execute trades from 9:10 a.m. in the Continual Regime (KOBOS) and from 9:15 a.m. in the SPAD Regime. The end of the trading day remains unchanged.

### **4 April**

The Prague Stock Exchange completed fifteen years of trading started on 6 April 1993. For fifteen years of trading, shares in the total of amount of CZK 5.5 trillion were sold.

### **6 May**

Conditional trading in shares NWR, ISIN NL0006282204, the largest IPO in the history of the Czech capital market, started. New World Resources (NWR), through its subsidiary OKD, is the largest producer of hard coal in the Czech Republic.

### **12 May**

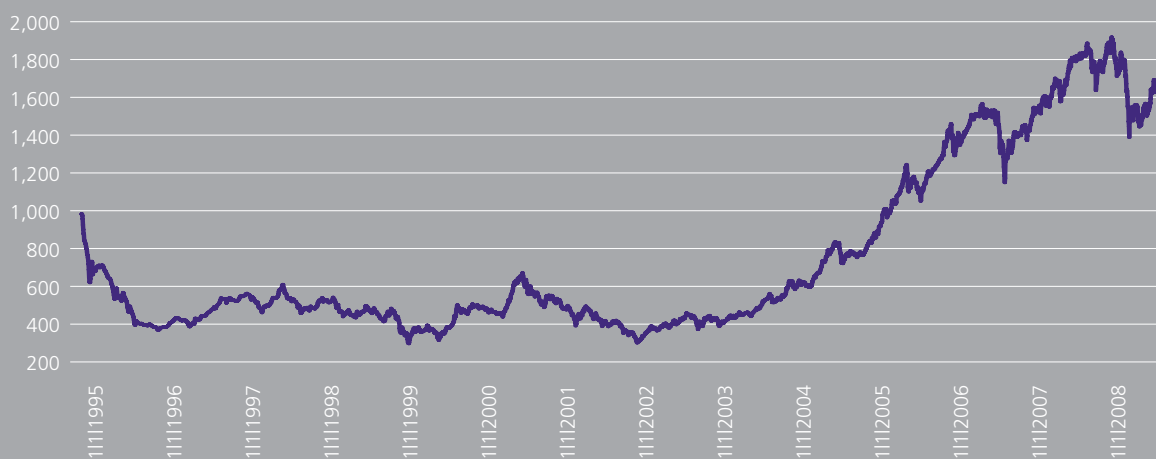
Trading with a new issue of investment certificates ElektGar2VB-AFT began. Issuer of those certificates is Volksbank AG.





## SELECTED INDICATORS

Overall Development of PX Index (5 April 1994 – 31 May 2008)

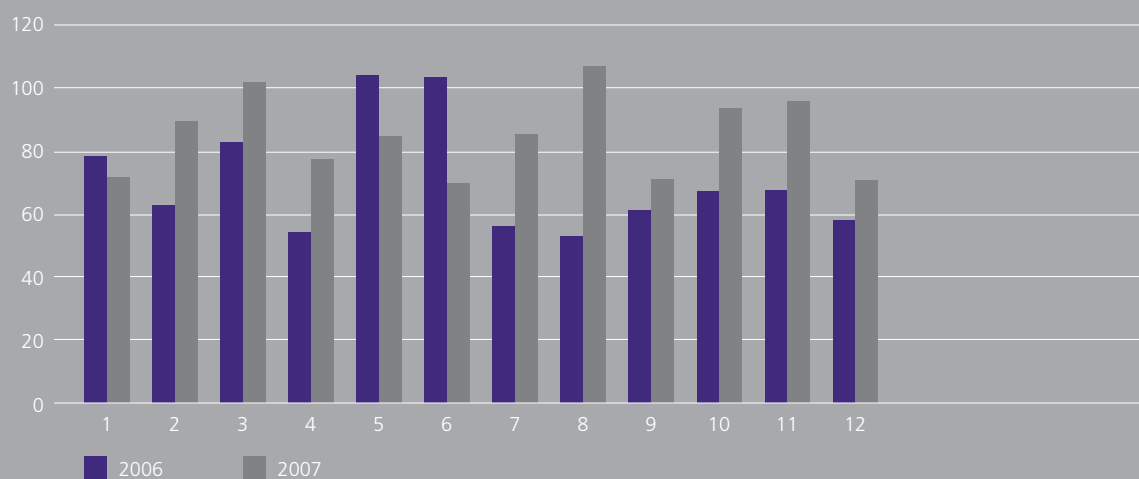


Year-on-year Changes in the PX Index (%)

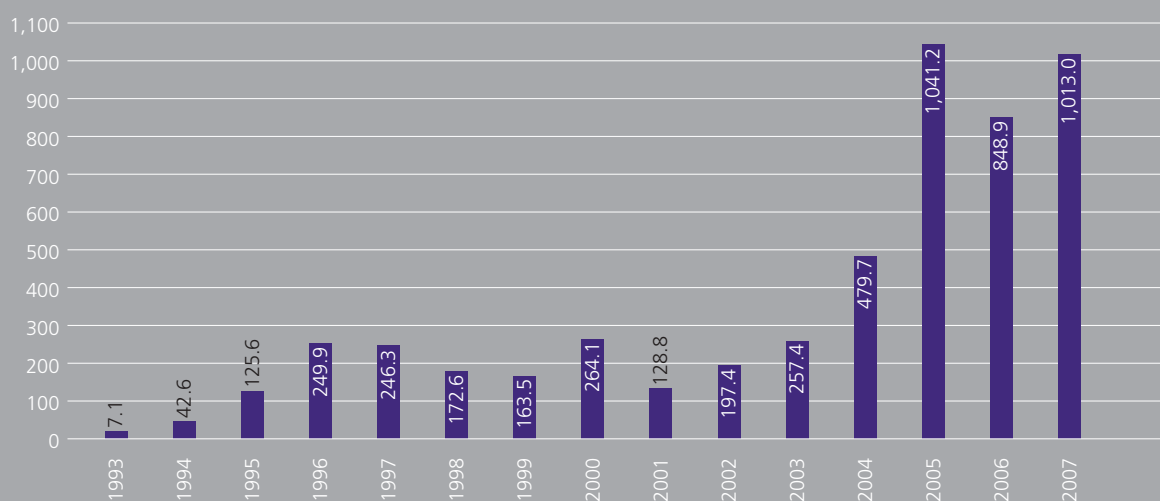


## SELECTED INDICATORS

Monthly Value of Trades in Shares from 2006 – 2007 (CZKbn)



Yearly Value of Trades on the Share Market (CZKbn)



## KEY ANNUAL DATA

	2007	2006	2005	2004	2003	2002	2001	2000
Number of trading sessions	250	251	253	252	251	250	250	249
<b>Shares</b>								
Total yearly value (CZKbn)	1,013.0	848.9	1,041.2	479.7	257.4	197.4	128.8	264.1
Average total daily value (CZKm)	4,052.1	3,382.1	4,115.3	1,903.4	1,025.7	789.6	515.2	1,060.8
Market capitalization (CZKbn) *)	1,841.7	1,592.0	1,330.8	975.8	644.5	478.0	340.3	442.9
Number of issues *)	32	32	39	55	65	79	102	151
PX Index *)	1,815.1	1,588.9	1,473.0	1,032.0	659.1	460.7	394.6	478.5
<b>Bonds</b>								
Total yearly value (CZKbn)	508.9	598.9	533.2	692.5	1,110.1	1,595.7	1,858.4	958.7
Average total daily value (CZKm)	2,035.4	2,386.1	2,107.7	2,747.9	4,422.7	6,382.7	7,433.5	3,850.2
Number of issues *)	132	110	96	79	81	74	84	94
<b>OTHER PRODUCTS</b>								
<b>Investment Certificates and Warrants</b>								
Total yearly value (CZKm)	1,229.5	5.2						
Number of issues *)	41	8						
<b>Futures Contracts</b>								
Total Yearly value (CZKm)	1,879.9	32.2						
Number of series *)	6	2						

\*) at 31 December 2007

## COMPANY STRUCTURE

Chief Executive Officer  
Petr Kobic

CEO's Office  
Mail Room, HR

Legal Service

Internal Audit,  
Security and Compliance

Trading and  
Securities  
Department  
Jiří Opletal

IT Department  
Miroslav Prokeš

Inspection  
Department  
Vladimír Skalný

Finance and  
Administration  
Department  
Petr Horáček

External  
Communication  
Department  
Jiří Kovařík

## FOREWORD OF THE CHIEF EXECUTIVE OFFICER



The volumes of share trading increased once again, with two new share issuers introduced and with numerous investment certificates issued.

## FOREWORD OF THE CHIEF EXECUTIVE OFFICER

Dear shareholders, dear friends,

In 2007 we achieved record-breaking results of operations and in addition, we managed to bring to a successful conclusion the most extensive and outstanding project in the history of the Exchange – the establishment of an electricity trading platform. The volumes of share trading increased once again, with two new share issuers introduced and with numerous investment certificates issued. The figures would have been even better had it not been for the uncertainty on the market spreading from the US to Europe in the autumn.

The project regarding the establishment of Prague Energy Exchange, preceded in 2006 by the successful launch of a derivative trading scheme, was an extremely time and effort consuming process. In a period of seven months, we managed to set up a commodity exchange, create a functional central counterparty, set the clearing and settlement of trades in EUR running, propose and programme a hybrid trading system, and develop an Internet end user interface. I am sure it is clear enough that this was the first time all these tasks have been resolved in the Czech Republic. Thanks to the professional attitude and efforts of our employees, we managed to complete the project on a timely basis and launch the new market with no serious setbacks and with no errors. Our team deserves my thanks for this and I think I can also express gratitude on behalf of the Exchange Chamber and the exchange shareholders.

In 2008 we envisage further dramatic developments in the Exchange, i.e. its expansion outside the Czech Republic. Unlike the capital markets, commodity markets have not developed very much in Central and Eastern Europe and our experience of the Prague Energy Exchange is a good starting point for the development of the electricity market in the region. Therefore, keep your fingers crossed for us.

Yours



Petr Kobic

Prague, 3 June, 2008





## EXCHANGE ACTIVITIES IN 2007

### Trading and Securities

In 2007, the structure of Exchange markets was simplified and became better organized by merging the secondary market with the main market. Thereby the official market was divided into two segments – the standard official free market (its claims do not exceed generally applicable laws) and the prestigious main market with more strict conditions.

#### Exchange markets



Therefore, effective as of 2 July 2007, a transfer of all issues from the secondary market (10 share and 15 bond issues) to the main market took place under the same conditions, provided that by the beginning of 2009, at the latest, the issuer decides whether to accept all the conditions of the prestigious main market, or whether to opt for a shift to the official free market.

As regards the variety and number of investment opportunities, the number of trade titles increased again in 2007. In this period a total of 102 investment instruments were introduced on the exchange markets and trading with 43 titles was terminated.

The increase in the number of titles was enabled by modifications that took place in 2006 and thanks to which the offer for investors was extended to include new types of investment instruments such as investment certificates, warrants and futures. Newly accepted titles mainly concerned investment certificates (40), and traditional bonds (41), i.e. mortgage debentures, bank and company bonds of renowned companies and state bonds.

As in the previous year, two IPO issues were introduced at the Exchange in 2007. Therefore, AAA Auto Group N.V., which is attempting to stabilize its leading position on the second-hand market in the Central Europe, obtained capital for its development on the Prague Stock Exchange, as did the developer company VGP NV operating in Central and Eastern Europe.

Unfortunately, with respect to the unfavourable or uncertain global situation on the world capital markets, several intended IPOs were postponed.

Issues withdrawn from trading mainly include those that were paid off naturally, properly, or prematurely.

## EXCHANGE ACTIVITIES IN 2007

In the sphere of securities, only partial adjustments to Exchange Rules were made. These were merely minor modifications aimed at simplifying the acceptance of issues at the Prague Stock Exchange and adjusting to the information requirements of other European stock exchanges.

### EXCHANGE INDICES

The official blue chip price index of share issues at the Prague Stock Exchange is the PX index, which assumes the values of the previous PX 50 index. The second exchange index is PX-GLOB, which represents a price index with a wide base.

The PX Index base is updated four times a year and the issue share on the market capitalization of the base must not exceed 25% on the record date. The PX Index base valid as of 19 March 2007 held the following 11 issues: CETV, ČEZ, ECM, ERSTE BANK, KOMERČNÍ BANKA, ORCO, PHILIP MORRIS ČR, PEGAS NONWOVENS, TELEFÓNICA 02 C.R., UNIPETROL and ZENTIVA. A reduction in the number of securities used in the calculation of the index was applied to ČEZ and ERSTE BANK issues. The frequency of the calculation of PX Index has changed to 15 seconds since 24 September 2007.

The official Exchange PX Index closed at the value of 1 815.1 points and its inter-annual growth was 14.24%. The PX-GLOB Index marked a growth of 14.14%. Detailed information on cross-section indexes is shown in the table below.

INDEX	Value 12/29/2006	Value 12/28/2007	Change (%)	Annual maximum	Date maximum	Annual minimum	Date minimum
PX	1,588.9	1,815.1	14.24	1,936.1	10/29/2007	1,565,3	1/10/2007
PX-GLOB	1,987.4	2,268.4	14.14	2,414.9	10/29/2007	1,956,1	1/10/2007

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

### PX Index in 2007



## EXCHANGE ACTIVITIES IN 2007

### EVALUATION OF TRADING RESULTS IN 2007

#### Value of trades in 2007 by type of the market and securities

	Shares	Bonds	Investment Certificates and Warrants	Futures Contracts
	Value (CZKbn)	Value (CZKbn)	Value (CZKbn)	Value (CZKbn)
Main Market	1,003.616	441.215	–	–
Secondary Market *)	0.001	4.392	–	–
Free Market	9.402	63.252	1.230	–
Special Market	–	–	–	1.880
<b>Total</b>	<b>1,013.019</b>	<b>508.858</b>	<b>1.230</b>	<b>1.880</b>

\*) The merger of the main and the secondary markets was taken effect on 1 July, 2007

#### Share Market

With the achieved amount of CZK 1,013.02 billion, the year of 2007 ended with the second highest volume of trades in the history of the share market. This marked a drop of 2.70% over the top year of 2005 (value of CZK 1,041.2 billion). The average daily value of CZK 4,052.1 mil. is higher by 19.81% than the average CZK 3,382.1 million in 2006.

The most successful month was the month of August with a trade value of CZK 106.15 billion. Out of the total annual trade value, the trade segment SPAD provided 94.66%, block trading 1.72%, and auction and continual regime amounted to 3.62%.

On the list of the most liquid issues, the first ten positions are held by issues that were traded in the SPAD segment during the year 2007. The most heavily traded issue was ČEZ, followed by the issues of ZENTIVA and KOMERČNÍ BANKA, as is evident in the following table.

## EXCHANGE ACTIVITIES IN 2007

### 10 issues of shares with the highest trade values in 2007

Serial number	Name of Issue	Trade Value (CZKm)	Share (%)	Annual Change of Rate (%)
1	ČEZ	403,050.18	39.79	41.9
2	KOMERČNÍ BANKA	136,783.50	13.50	41.0
3	ZENTIVA	111,187.79	10.98	-23.3
4	ERSTE BANK	103,178.50	10.19	-18.7
5	TELEFÓNICA O2 C.R.	101,757.84	10.05	14.5
6	UNIPETROL	45,632.52	4.50	44.1
7	ORCO	36,128.24	3.57	-21.4
8	CETV	31,877.73	3.15	44.0
9	ECM	17,341.69	1.71	-16.0
10	PEGAS NONWOVENS	16,028.60	1.58	-0.3

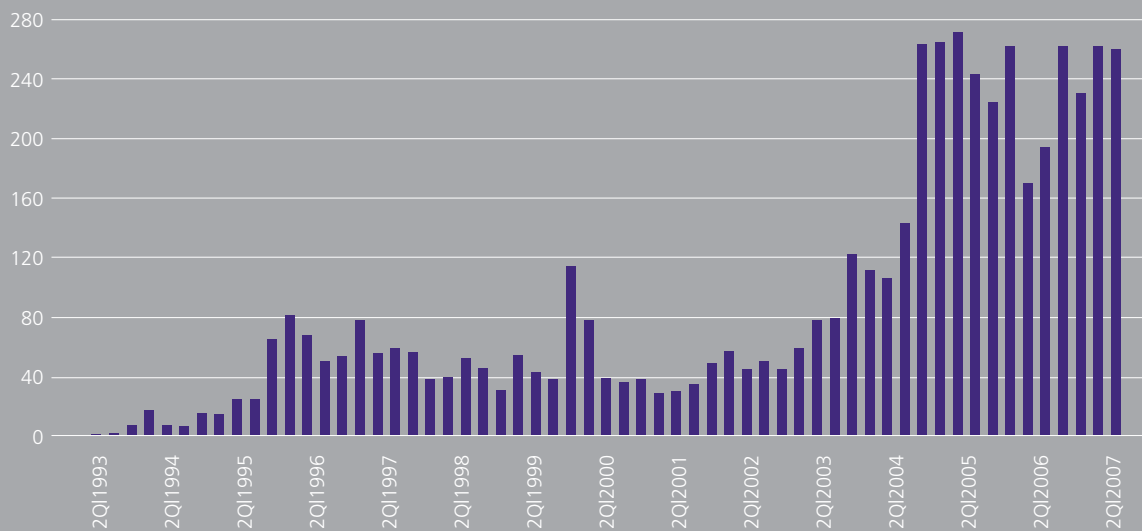
Stock market capitalisation grew inter-annually by 15.68%. At the end of 2007, it reached the value of CZK 1,841.682 billion, in which foreign issues participated with 30.74%. The number of issues of shares amounted to 32 emissions, 8 of which are represented by foreign issues.

### Summary of Market capitalization – shares (at 31. 12. 2007)

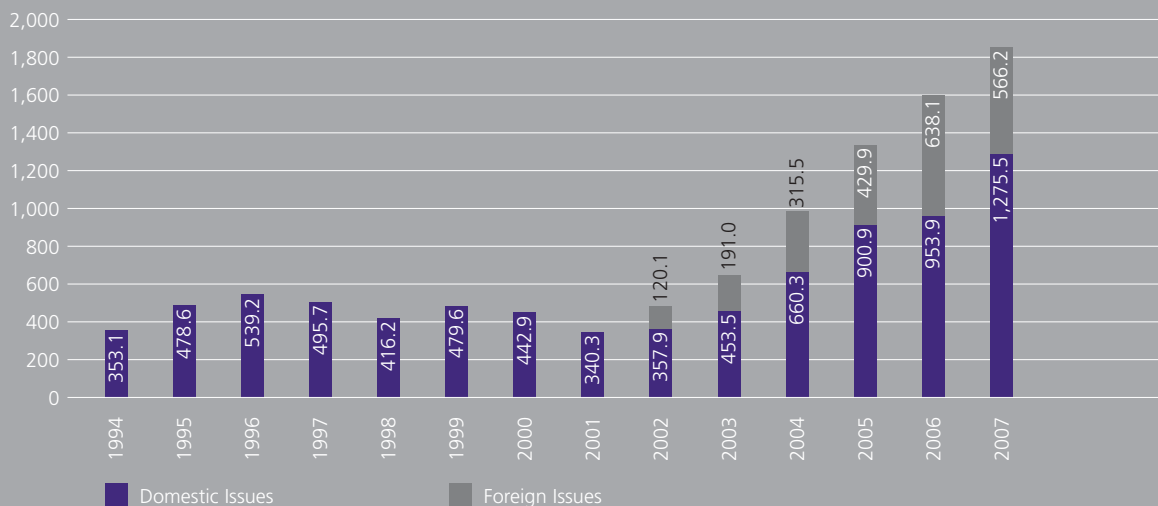
	2006 Market Capitalization (CZKm)	Number of Issues	2007 Market Capitalization (CZKm)	Number of Issues
Domestic Issues	953,895.5	26	1,275,506.2	24
Foreign Issues	638,101.0	6	566,176.3	8
<b>Total</b>	<b>1,591,996.5</b>	<b>32</b>	<b>1,841,682.5</b>	<b>32</b>

## EXCHANGE ACTIVITIES IN 2007

### Quarterly Values of Trades on the Share Market (CZKbn)

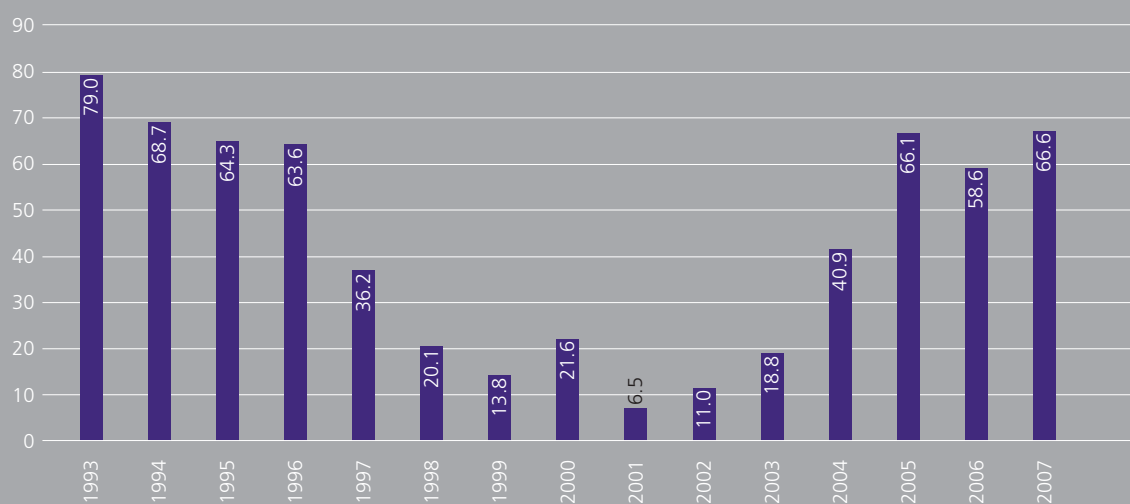


### Market Capitalization – Shares (as of 31 December 2007, CZKbn)



## EXCHANGE ACTIVITIES IN 2007

Proportion of Shares in the Overall Trade Volume (%)



Turnover Rate on the Share Market (%)



## EXCHANGE ACTIVITIES IN 2007

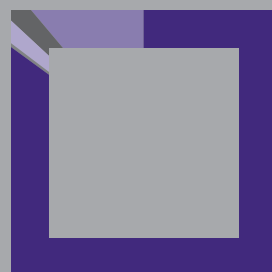
### Bond Market

The total bond trade volume in 2007 reached a value of CZK 508.858 billion, a decrease of 15.04% (CZK 598.921 billion) over 2006. As in the previous year, government bonds shared the greatest part of trade volume with 85.15%. Mortgage debentures amounted to 11.16%, corporate bonds 1.60%, bank bonds 1.95% and municipal bonds 0.14% of the total annual volume of bond trading.

Nominal Value and Number of Bond Issues (as of 31 December 2007)



Value of Trades on the Bond Market in 2007 (CZKbn)



State Bonds	433,280
Municipal Bonds	0,748
Corporate Bonds	8,118
Bank Bonds	9,931
Mortgage Debentures	56,781

## EXCHANGE ACTIVITIES IN 2007

### Other products

A total of 41 issues of structured products had been accepted for trading by the end of 2007, whereby trades with a value of CZK 1,229.5 mil. were realized. Trading with futures products reached CZK 1,879.9 mil. and the number of series amounted to 6 at the end of 2007.



### Information and Trading System

The main effort of the IT Department in 2007 concentrated on the realization of the project of the Prague Energy Exchange. In the very short period of 6 months, a new system for electricity trading and settlement was prepared, based on a proven and reliable system of trading and settlement of financial products. Necessary software adjustments in the trading and settlement system were complemented with newly developed software based on a technology of web services enabling connection with trading participants. The IT department also created new front-end software, which is used by trading and settlement participants to connect to the Energy Exchange in their domestic localities. The software solution also includes connections to the current electricity market operator (OTE). The requirement for connecting the participants of the Energy Exchange via the Internet brought about the need to perform essential changes in the technical as well as security infrastructure. A new robust and redundant technical solution for Internet connections using multiple Internet providers, and which, for security purposes, provides VPN connections supported by access chip tokens with digital certificates was implemented. The preparation project also involved the creation of a new website providing information and on-line data concerning trading and Energy Exchange activities. The new electricity trading system also brought about many adjustments of internal systems, e.g. the internal information system, trading supervision system, cost data generating system etc.

In order to provide for flexible issuance of digital certificates and their implementation into the technical instruments, a solution of certification authority based on Entrust was introduced. The solution has proven effective in practice; more than 100 certificates on chip tokens were issued during a short period of time only for the purposes of the Energy Exchange.

In order to ensure the connection of the exchange members, a new generation of communication software (Communication Server) based on Java script has been developed, and it provides increased stability, possibility of integration with third party software and possibility of operation on platforms other than Microsoft Windows. At the same time, the level of communication was equipped with the option to select data transfer prioritization, which enables exchange members to determine the priority of sent data types.

In relation to the preparation of the new EU legislation concerning financial markets (MiFID), new reporting of trades to the Czech National Bank was implemented in software form using structures determined by a regulator. Nevertheless, this is only the first small portion of changes related to MiFID that are to continue in 2008.

In order to enhance communication with remote participants and to make it more flexible, a videoconference system was implemented in the middle of 2007. This guarantees quality real-time visual as well as audio connection, esp. with foreign partners.

During 2007, all technically and morally outdated PCs were replaced. New computers introduced higher processing speed and their technical parameters are able to handle planned new applications – Microsoft VISTA operation system and Microsoft Office 2007.

Company management was provided with BlackBerry phones and a control server. This solution ensures the high quality and quick synchronization of personal information (e-mail, calendar, contacts, assignments, notes) between a desktop computer and a mobile phone. Therefore, management members always have their personal agenda on hand, which enables them to manage the activities of their divisions.

Towards the end of the year an external company performed penetration tests. These did not uncover any significant deficiencies regarding Internet connection security. Further enhancement of security was also ensured by the implementation of a system providing daily monitoring of the vulnerability of Internet infrastructure elements at backup workstations.

### Inspection Activity

In 2007, inspection concentrated primarily on the enhancement of trading transparency and the control of compliance of Exchange members with principles for dealing with clients. Therefore, Exchange investigations were mainly focused on the competence of placement of trades in the Exchange system, esp. on unilateral and own trades, compliance with conditions for repurchasing ČEZ shares, compliance with lead-times for the registration of trades at the Exchange and reasons for orders in the case that a significant variance between the limit price and the rate is indicated.

As regards compliance with principles for dealing with clients, investigations were focused primarily on the implementation of instructions issued by the clients of Exchange members under optimum conditions and the level of customer awareness of facts concerning the provision of investment services.

The basis for Exchange control activity is parallel analytical monitoring based on daily monitoring and analysis of the exchange trading system data and on related communication with members concerning indicated violations of Exchange Rules. The simplification of some of the formal procedures of the inspection work implemented in 2006 allowed for a significant increase in the number of investigated cases, i.e. from approx. 520 cases in 2006 to approx. 1,100 cases in 2007.

In accordance with the inspection schedule in 2007, 5 in-depth inspections and 6 repeated inspections with the goal of respecting the period of one in-depth control every 3 years for each member were commenced. The focus of in-depth inspections is aimed primarily at controlling those areas which cannot be monitored to the full extent through analytical monitoring (principles of dealing with a client, trading on credit, information obligations and documentation).

The detection of Exchange Rules violations primarily concerned cases of distortion of the number and volume of trades, misinterpretation of information concerning the offer and demand of investment instruments, violation of the rule of best price, implementation of clients' instructions outside provided parameters and the violation of trading rules. As required by the Capital Market Undertaking Act, the Exchange informed the Czech National Bank of suspected manipulation on the capital market (2 cases).

The absolute majority of cases of Exchange Rule violations were resolved in working order between the inspection and the member in the form of accepting the provisions on the side of the member. The Exchange continued with the practice of consulting the results of the control activity with the Exchange Membership Committee, which reacted to more serious practice violations with a letter from the Chairman of the Committee containing a notice about determined shortcomings and a request for adequate provisions. The character of Exchange Rule violations and the approach of individual members in eliminating insufficiencies did not require sanction measures to be applied.

The Exchange contained 21 members as of the day the report was submitted. According to law, 2 other subjects are authorised to conclude exchange trades (The Czech National Bank and the Ministry of Finance of the Czech Republic).

In August 2007, the Exchange suspended the membership of BODY INTERNATIONAL BROKERS a.s. based on a decision by the Czech National Bank for a temporary suspension of activities of this brokerage company. Towards the end of 2007, members Živnostenská banka, a.s., and HVB Bank Czech republic a.s. merged. The new entity called UniCredit Bank Czech Republic, a.s. took over the trading profiles of HVB Bank Czech republic a.s. (the trade profile of Živnostenská banka, a.s. was cancelled).

## EXCHANGE ACTIVITIES IN 2007

### Results of Economic Activities

In 2007 the Exchange posted the best results of operations in its history. This was thanks to the higher sales than anticipated in the budget.

#### SELECTED INDICATORS

CZK million	2007	2006	2005	2004
Revenues	425	445	553	267
Expenses	200	275	411	225
Profit or loss before tax	225	170	142	42
Profit or loss after tax	176	133	110	30
Equity capital	463	457	445	337

Since 2004, the total amount of revenues and expenses is affected by the fact that the value of part of the finances is increased through the securities portfolio manager's transactions, and that in connection with the increasing volume of transactions the company posts increasing expenses and revenues associated with the settlement thereof. In 2005, 2006 and 2007 the total amount of revenues was also affected by revenues from long-term investments in the form of dividend payments.

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

CZK million	2007	2006	2005	2004
Revenues	356	301	268	168
Expenses	156	140	144	120
Profit or loss before tax	200	161	124	48

#### FINANCIAL PROFIT / LOSS

Income from the Exchange's operations and own resources were sufficient to cover the company's operational and investment expenses.

## EXCHANGE ACTIVITIES IN 2007

The company's financial situation and prosperity are shown in the history of indicators below:

	2007	2006	2005	2004
<b>Profitability indicators</b>				
Equity capital profitability	0.381	0.291	0.248	0.090
Registered capital profitability	0.665	0.502	0.408	0.097
<b>Financial stability indicators</b>				
Financial independence (equity capital/liabilities)	0.878	0.895	0.908	0.893
Total indebtedness (liabilities/assets)	0.09	0.10	0.09	0.10
Increase in or decrease of short-term investments	(43,468)	45,754	86,169	97,009

The decrease of short-term investments was influenced by the payment of dividends and capital funds, the deposit into a new subsidiary and a loan granted to the subsidiary.

### History of the structure of assets and sources of financing

%	2007	2006	2005	2004
<b>Assets</b>	100.00	100.00	100.00	100.00
Fixed asset	29.53	20.56	21.96	29.30
of this: tangible and intangible assets	2.43	2.44	3.01	4.57
financial investment	27.06	18.10	18.91	24.65
long-term debtors	0.04	0.02	0.04	0.08
Short-term debtors	5.85	5.93	11.55	7.25
of this: trade debtors	5.14	4.93	4.90	4.84
other debtors	0.71	1.00	6.65	2.41
Financial assets (investments)	60.88	71.36	65.06	61.53
Deferred accounts	3.74	2.15	1.43	1.92
<b>Liabilities</b>	100.00	100.00	100.00	100.00
Long-term resources	87.81	89.73	91.00	89.33
of this: own resources	87.81	89.53	90.84	89.33
bank loans and borrowings	0.00	0.00	0.00	0.00
long-term payables	0.00	0.20	0.16	0.00
Short-term payables	8.57	9.71	8.79	9.57
Reserves	0.31	0.22	0.20	0.26
Deferred accounts	3.31	0.34	0.01	0.84

## EXCHANGE ACTIVITIES IN 2007

### History of Profit / Loss

The 2007 profit before tax amounted to CZK 225,216 thousand. This amount exceeds the profit posted for previous years and is positively influenced by the income from trading, including settlement, income from the sale of information and income from the share in UNIVYC (subsidiary), i.e. of the subsidiary's operations in 2006.

The company accrued a tax liability of 49,971 thousand in connection with the profit posted. The deferred income tax calculated from all temporary differences between the tax and accounting values in 2007 means that the deferred tax liability turned into a deferred tax receivable reducing the tax liability by CZK 1,115 thousand. The 2006 tax liability increased by CZK 23 thousand. The profit posted for the fiscal year (after tax) amounted to CZK 176,337 thousand.

CZK '000	2007	2006	2005	2004
<b>Profit or loss before tax</b>	<b>225,216</b>	<b>170,139</b>	<b>141,688</b>	<b>42,260</b>
– operating profit or loss	188,659	136,336	110,872	32,091
– financial profit or loss	36 557	33,803	30,816	10,169
– of this: sale of securities from portfolio	3,193	6,211	1,364	3,757
revenues from share in subsidiary	30,000	25,000	29,000	
– extraordinary profit or loss	0	0	0	0
<b>Income tax</b>	<b>48,879</b>	<b>37,095</b>	<b>31,586</b>	<b>11,791</b>
– due	49,994	36,858	30,815	8,053
– deferred	(1,115)	237	771	3,738
<b>Profit or loss after tax</b>	<b>176,337</b>	<b>133,044</b>	<b>110,102</b>	<b>30,469</b>

### Settlement of Exchange Trades

UNIVYC, a.s. (hereinafter UNIVYC), a subsidiary of the Prague Stock Exchange, has been performing the settlement of exchange trades as well as OTC transactions with investment instruments for fifteen years.

UNIVYC ensures the financial settlement of trades and transactions in Czech crowns via payment orders sent to the Czech National Bank Clearing Centre (CC CNB). In 2007, UNIVYC sent over 379 thousand orders to CC CNB, which corresponds to a 7% increase over 2006, in the total amount of CZK 4,999 billion, representing a year-on-year increase of 9%. The value of settled UNIVYC securities exchange trades and OTC transactions for 2007 reached a record-breaking value of CZK 5,034.7 billion, representing 99.79% of all settled trades and transfers on the Czech capital market. Of the total value of transactions settled by UNIVYC, 29.6% represent exchange trades and 70.4% OTC transactions.

One of the most significant additional services provided by UNIVYC is the administration of the Exchange Guarantee Fund (EGF), which serves to ensure obligations and to cover risks ensuing from exchange trades and their settlement. The Guarantee Fund is represented by the Automatic Trades Fund (FAO), Fund for trades concluded in the SPAD segment (FS) and by the Fund for derivatives trades (FD). The average daily value of financial means in the EGF administration in 2007 reached CZK 238 million compared to 2006, which represents an increase by 26.6%.

Frequently used services also include the settlement of primary bond issues. During 2007, UNIVYC brokered the settlement of 76 primary issues in a total amount of CZK 271 billion, which represents a year-on-year increase in numbers and volume. Primary issues also included four collective bond issues. In February 2007, a collective bond issue of S MORAVA Leasing, a.s. was registered in the central database of securities of the Exchange system, and subsequently in March, a collective bond issue of ECM REAL ESTATE INVESTMENTS A.G. was registered in the Exchange system, which was accepted for trading on the Exchange secondary market. These were followed by a PPF collective bond traded on the Exchange free market in October and another issue collective bond of S MORAVA Leasing, a.s. in December.

The system of borrowing and lending did not experience any significant changes. The total number of borrowings was 275, i.e. a year-on-year increase of 13%. The average duration of borrowing extended from 11 to 13 days. The number of lenders remained unchanged, the number of active borrowers dropped from ten to nine.

In the course of the year, UNIVYC brokered the payment of dividends together with the possibility of tax refund settlements in the case of four companies: ORCO, ERSTE BANK, ZENTIVA, and PEGAS NONWOVENS. In cooperation with Clearstream, UNIVYC ensured the attendance, or voting at ordinary and extraordinary general meetings of companies whose shares are kept on an independent UNIVYC register. UNIVYC also ensured the payment of yields to owners of certificated bonds of MERO ČR, a.s. UNIVYC made use of the depository of Československá obchodní banka, a.s for the safe custody of certificated securities.

In 2007, the main activity in the sphere of development was the preparation and testing of the clearing system for the initiation of trading at the Prague Energy Exchange. The electricity trading currency was the euro, which made it impossible to use the services of the Czech National Bank Clearing Centre; it was therefore replaced by the EUR Clearing Bank. Komerční banka, a.s. was selected to perform this function. The concept of clearing, including a risk management hierarchy based on the functionality of clearing banks and the Central Counterparty (CCP), which meets the requirements of the European standard of clearing for this commodity, was also used.

## EXCHANGE ACTIVITIES IN 2007

In an international context, legislative and analytical activities concerning the implementation of the European Code of Conduct were undertaken.

In 2007, licensing procedure aimed at enabling the operation of the Central Securities Depository continued. The evaluation of Securities Centre records and the protracted licensing procedure remained unresolved matters, resulting in the initiation of special analytical work concerning the use of certain software modules intended for the Central Securities Depository in the current Settlement System of UNIVYC.

As of 31 December 2007, the Board of Directors of UNIVYC had the following structure: Petr Kobic (Chairman), Helena Čacká (Vice-Chairwoman) and Jan Klenor (Member). As of 31 December 2007, the Supervisory Board of UNIVYC had the following structure: Martin Draslar (Chairman), Radan Marek and Miroslav Prokeš (Members).

### Exchange Chamber

The Exchange Chamber has six members elected by the General Meeting and it is a statutory authority of the Exchange that administrates its activities and acts on its behalf.

The Exchange Chamber had 10 meetings during the year 2007.

#### STRUCTURE OF THE EXCHANGE CHAMBER AT 31 DECEMBER 2007

##### Chairman

Petr Koblíček

Prague Stock Exchange

General Director

Date of birth: 22 February 1971

Education: the University of Economics, Prague

Chairman of the Exchange Chamber since 23 June 2004, re-elected 8 August 2007

##### Vice-Chairmen

Jan Klenor

Representative of the shareholder Patria Finance, a.s.

Chairman of the Board of Directors

Date of birth: 9 February 1966

Education: the University of Economics, Prague

Vice-chairman of the Exchange Chamber since 21 January 2005, re-elected 22 June 2005

Daniel Heler

Representative of the shareholder Česká spořitelna, a.s.

Member of the Board of Directors and the Deputy General Director

Date of birth: 12 December 1960

Education: the University of Economics, Prague

Vice-chairman of the Exchange Chamber since 21 February 2005, re-elected 8 August 2007

##### Members

Petr Milev

Representative of the shareholder PPF banka a.s.

Chairman of the Board of Directors and General Director

Date of birth: 15 December 1968

Education: Charles University

Member of the Exchange Chamber since 21 October 2004

Peter Palečka

Representative of the shareholder Komerční banka, a.s.

Vice-chairman of the Board of Directors and the Deputy General Director

Date of birth: 3 November 1959

Education: the University of Economics, Bratislava

Member of the Exchange Chamber since 29 May 2002, re-elected 9 June 2005



### Aleš Barabas

Representative of the shareholder UniCredit Bank Czech Republic, a.s.  
Member of the Board of Directors and the Deputy General Director  
Date of birth: 28 March 1959  
Education: the University of Economics, Prague  
Member of the Exchange Chamber since 8 August 2007

### Supervisory Board

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

#### STRUCTURE OF THE SUPERVISORY BOARD AT 31 DECEMBER 2007

### Zdeněk Bakala

RPG Advisors, a.s.  
Chairman of the Supervisory Board RPG Advisors, a.s. and Chairman of the Board of Directors OKD, a.s.  
Date of birth: 7 February 1961  
Member of the Supervisory Board since 9 June 2005

### Martin Roman

ČEZ, a.s.  
Chairman of the Board of Directors and General Director  
Date of birth: 29 October 1969  
Education: Charles University  
Member of the Supervisory Board since 24 June 2004, re-elected 9 June 2005

### Jaroslav Míl

Industrial and Transport Union of the Czech Republic  
President  
Date of birth: 10 August 1958  
Education: Czech technical University in Prague  
Member of the Supervisory Board since 9 June 2005

### Jiří Michal

Zentiva, a.s.  
Chairman of the Board of Directors and General Director  
Date of birth: 23 December 1950  
Education: The Institute of Chemical Technology, Prague  
Member of the Supervisory Board since 9 June 2005

### Milan Šimáček

Ministry of Finance of the Czech Republic

Deputy Minister

Date of birth: 25 June 1963

Education: Czech technical University in Prague

Member of the Supervisory Board since 14 June 2007

### Resigned from their posts:

Tomáš Prouza

Poštovní spořitelna

Date of birth: 30 April 1973

resigned the 11 December 2006, resignation accepted the 28 May 2007

### Exchange Membership Committee

The Exchange Membership Committee reviews the compliance of Exchange members with conditions and obligations stipulated in Exchange regulations and negotiates proposals for the acceptance and termination of Exchange membership.

#### Chairman

Peter Palečka

Komerční banka, a.s.

#### Vice-chairwoman

Gabriela Dudášová

ATLANTIK finanční trhy, a.s.

#### Secretary

Vladimír Skalný

Prague Stock Exchange

The Exchange Committee on Membership held meetings four times in 2007. It continuously dealt with information concerning inspection results of Exchange members, discoveries of analytical monitoring, information on the state of quick available means, quarterly economic results and the capital adequacy of member companies.

The Committee reacted to more serious violations of practice by a letter from the Chairman of the Committee containing a notice about the determined shortcomings, and a request for adequate provisions. With respect to the type of Exchange Rule violations and the corrective measures taken by members to eliminate the deficiencies, the Committee did not use its sanction power in 2007.

As for factual matters, the Committee focussed attention on problems of market transparency, (e.g. conclusion of cross trades and the method of implementation of repurchases of ČEZ shares) and professional care given to clients when providing investment services (e.g. observing the "best price rule," ensuring customer awareness of provided services, the prevention of conflicts of interests etc.).

### Exchange Listing Committee

The Exchange Listing Committee accepts securities for trading at the main and official free market. It also participates in the control of the compliance with information obligations of issuers as stipulated in Exchange Rules.

**Chairman**  
Petr Kobic  
Prague Stock Exchange

**Secretary**  
Eva Štrupová  
Prague Stock Exchange

In 2007, the Exchange Listing Committee had two regular meetings, in forty two cases a decision was made by per rollam voting.

The Committee primarily dealt with the discussion and confirmation of requests for accepting securities for trading. Eighty six issues, mainly concerning mortgage debentures and investment certificates, were accepted in total.

A significant action taken by the exchange in 2007 was the restructuring of the exchange market. This consisted in the merger of the main and the secondary market into one main market. All issuers of the original secondary market had the option of remaining on the main market or transferring to the official free market. The members of the Committee significantly contributed to the discussion concerning this topic. They mainly dealt with the issue of determining the scope of the information obligation of issuers who requested transfer to the official free market. In order to maintain information continuity, it was determined that this issuer is obliged to fulfil extra obligations of the main market for a period of 12 months from the transfer. This particularly includes the presentation of quarterly financial statements.

In order to simplify the acceptance process of issues released as part of a bond program, individual tranches of share issues and short-term bonds, the new Exchange Committee for Summary Listing was established. This measure significantly reduced the administrative work of the Exchange Listing Committee.

In keeping with Exchange Rules, offering programs for derivative-type securities of the Austrian Volksbank AG, the British Barclays Bank PLC and Česká spořitelna, a.s. were approved. Furthermore, a bond program of Komerční banka and Česká pojišťovna was approved.

The year 2007 was important for the Exchange especially because two primary issues were accepted on the main market.

Firstly, the Committee approved the share issue of the AAA Auto Group N.V., registered in keeping with the legislation of Netherlands. The company is engaged in the retail sale of cars in the Central European region. The issue was also accepted for trading at the Budapest Stock Exchange.

The next primary issue was represented by shares of VGP NV, registered in keeping with the legislation of Belgium. The company is engaged in the development and management of semi-industrial real estate in our region. In this case, this concerned a dual listing in Prague and at EURONEXT in Brussels.

The regime of contingent trading was applied on both primary issues, which allows for trading with shares before their issue. The initiation of contingent trading is conditioned on the Committee's acceptance of a security for official trading and the publication of its prospect.

Both the primary issues and the initiation of trading attracted the attention of investors.

### Exchange Trades Committee

The Exchange Trades Committee discusses proposals and suggestions related to trading.

#### Chairman

Jan Sýkora, MBA

WOOD & Company Financial Services, a.s.

#### Vice-chairman and secretary

Jiří Opletal

Prague Stock Exchange

During 2007, the Committee dealt with issues related to trading, decided to perform requisite adjustments of trading parameters, and in many cases made decisions on the proposed changes, which in the given situation met the market needs, by per rollam voting.

At the beginning of 2007, the Committee decided to expand the offer of derivatives by two underlying assets - shares of ČEZ and ERSTE BANK. A decision was also reached to write out three-month and six-month contracts for the share issue of ČEZ and ERSTE BANK, for which it approved trading parameters.

As part of their negotiations, the Committee also dealt with the issue of simplifying and restructuring exchange markets.

An amendment to the regulation governing trading with derivative-type investment instruments in the case the issue of investment certificates is sold out was submitted for approval by the Committee in April. At the same time, parameters for the trading of these issues as part of automatic trades were approved, and apply in the case that notification of the sell-out is followed by a transfer from trading with the participation of a specialist to automatic trades.

## EXCHANGE BODIES

During 2007, the Committee determined trading parameters for newly accepted investment certificates and warrants, in most cases by per rollam voting. It also dealt with adjustments of parameters of the existing shares traded in SPAD regime and adjustments of the existing derivative-type instruments.

With respect to shorter intervals of exchange index calculations at other exchanges in the region (e.g. WIG20 – 15 seconds, BUX – 5 seconds), the Committee approved a change in the calculation interval of the PX Index from the present 60 seconds to 15 seconds to take effect 24 September 2007.

In September the Committee decided to include the share issue of AAA Auto Group N.V. in SPAD regime under standard trading conditions that apply to issue trading in the SPAD regime.

## THE PRAGUE STOCK EXCHANGE SHAREHOLDERS

### The Prague Stock Exchange Shareholders as at 31 December 2007

Shareholders	Number of Shares (pcs)	Percentage of the PSE Registered Capital (%)
1 ATLANTIK finanční trhy, a.s.	2,996	1.13
2 BH Securities a.s.	500	0.19
3 BODY INTERNATIONAL BROKERS a.s.	607	0.23
4 Brněnská obchodní, a.s. v likvidaci *)	100	0.04
5 CAPITAL PARTNERS a.s.	100	0.04
6 CYRRUS, a.s.	1,000	0.38
7 Česká spořitelna, a.s.	38,908	14.67
8 Československá obchodní banka, a. s.	1,000	0.38
9 EASTBROKERS, akciová společnost v likvidaci *)	10	0.00
10 Fio, burzovní společnost, a.s.	100	0.04
11 GARFIELD a.s. *)	10	0.00
12 GE Money Bank, a.s. *)	17,388	6.56
13 GES INVEST, a.s. *)	1,000	0.38
14 Global Brokers, a.s.	1500	0.57
15 ICEBERG A.S. v likvidaci *)	40	0.02
16 ING Bank N.V.	3,000	1.13
17 Komerční banka, a.s.	30,529	11.51
18 Merx a.s. *)	20	0.01
19 Moravia Banka, a.s. v likvidaci *)	500	0.19
20 OESTERREICHER & spol., s.r.o. *)	1,000	0.38
21 Patria Finance, a.s.	65,901	24.85
22 PPF banka a.s.	32,140	12.12
23 Stock Investment, a.s. „v likvidaci“ *)	500	0.19
24 Tiger Holding Four S.a.r.l. *)	35,903	13.54
25 UniCredit Bank Czech Republic, a.s.	21,967	8.28
26 WOOD & Company Financial Services, a.s.	3,997	1.51
Burza cenných papírů Praha, a.s.	4,500	1.70

\*) The company is not a PSE member

## THE PRAGUE STOCK EXCHANGE MEMBERS

### The Prague Stock Exchange Members as at 31 December 2007

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

### OTHER PERSONS AUTHORIZED TO CONCLUDE EXCHANGE TRADES

Česká konsolidační agentura – until 31 December 2007  
Czech National Bank  
Ministry of Finance of the Czech Republic

### REPORT BY SUPERVISORY BOARD REGARDING THE REVIEW OF DOCUMENTS SUBMITTED FOR APPROVAL TO EXCHANGE SHAREHOLDER DURING THE 16TH REGULAR SHAREHOLDERS' MEETING HELD ON 5 JUNE 2008

#### 1. Opinion regarding Report on Exchange's Operations and its Assets

During its meeting on 3 June 2008, the Supervisory Board discussed the "Report on Exchange's Operations and its Assets in 2007". The Supervisory Board has no objections regarding this Report and therefore recommends it for approval by the Shareholders' Meeting.

#### 2. Report on Review of Regular and Consolidated Financial Statement for 2007, and decision concerning the distribution of profit or payment of dividends.

In accordance with Article 35 of the Articles of Association of the Prague Stock Exchange, the Supervisory Board reviewed the audited regular and consolidated financial statements for 2007, and made itself acquainted with the Auditor's Report.

The Supervisory Board agrees with the consolidated financial statements, the financial statements of Burza cenných papírů Praha, a.s. (Prague Stock Exchange) and the submitted proposal regarding the distribution of profits.

The Supervisory Board recommends that the Shareholders' Meeting approves the consolidated financial statements, the regular financial statements and the Exchange Chamber's proposal regarding the distribution of profits generated in 2007.

The Supervisory Board agrees with the Exchange Chamber's proposal to pay dividends to the shareholders in the amount of CZK 620.00 per share, and recommends that the Shareholders' Meeting approves the payment of the dividend in such an amount.

Prague, 3 June, 2008



On behalf of the Supervisory Board: Zdeněk Bakala



## AUDITOR'S REPORT



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ENGLISH TRANSLATION

### **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BURZA CENNÝCH PAPIRŮ PRAHA, A.S.**

We have audited the accompanying financial statements of Burza cenných papírů Praha, a.s. ("the Company"), which comprise the balance sheet as at 31 December 2007, the income statement, statement of changes in equity and cash flow statement for the year then ended and notes, including a summary of significant accounting policies ("the financial statements"). Details of the Company are disclosed in note 1 to these financial statements.

#### *Statutory board's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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## AUDITOR'S REPORT



### Shareholders of Burza cenných papírů Praha, a.s. Independent auditor's report

#### *Auditor's Responsibility (continued)*

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

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

#### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2007, its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

23 April 2008

PricewaterhouseCoopers Audit, s.r.o.  
represented by partner

Petr Kříž  
Auditor, Licence No. 1140

#### **Translation Note**

This version of our report is a translation from the original, which was prepared in Czech. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

## AUDITOR'S REPORT



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ENGLISH TRANSLATION

### **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BURZA CENNÝCH PAPÍRŮ PRAHA, A.S.**

We have audited the accompanying consolidated financial statements of Burza cenných papírů Praha, a.s. ("the Company") and its subsidiaries (together, "the Group"), which comprise the consolidated balance sheet as at 31 December 2007, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and notes, including a summary of significant accounting policies. Details of the Company are disclosed in note 1 to these consolidated financial statements.

#### *Statutory Board Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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## AUDITOR'S REPORT



### Shareholders of Burza cenných papírů Praha, a.s. Independent auditor's report

#### *Auditor's Responsibility (continued)*

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

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

#### *Opinion*

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2007, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

In addition, in our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2007, and of the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the IASB.

25 April 2008

PricewaterhouseCoopers Audit, s.r.o.  
represented by partner

Petr Kříž  
Auditor, Licence No. 1140

#### **Translation Note**

This version of our report is a translation from the original, which was prepared in Czech. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

## AUDITOR'S REPORT



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ENGLISH TRANSLATION

### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BURZA CENNÝCH PAPIRŮ PRAHA, A.S.

We have audited the annual report of Burza cenných papírů Praha, a.s. ("the Company") for consistency with the financial statements for the year ended 31 December 2007 which are included in this Annual Report on pages 47 – 81. Statutory board is responsible for the accuracy of the annual report. Our responsibility is to express an opinion on the consistency of the annual report and the financial statements based on our audit.

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

In our opinion, the information included in the annual report of the Company for the year ended 31 December 2007 is consistent, in all material respects, with the financial statements referred to above.

The maintenance and integrity of the Company's website is the responsibility of its statutory board; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

27 June 2008

PricewaterhouseCoopers Audit, s.r.o.  
represented by partner

Petr Kříž  
Auditor, Licence No. 1140

#### Translation Note

This version of our report is a translation from the original, which was prepared in Czech. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

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## CONTACTS

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ID No.: 47115629

Tax ID No.: CZ47115629

### **Banking Information**

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

### **Entry in the Commercial Register**

At the Prague Municipal Court, part B, file 1773

Financial Section



## BALANCE SHEET

### Balance Sheet as at 31 December 2007

CZK '000		31 December 2007		31 December 2006	
ASSETS		Gross	Adjustment	Net	Net
<b>B.</b>	<b>Fixed assets</b>	<b>253,065</b>	<b>97,106</b>	<b>155,959</b>	<b>104,871</b>
<b>I.</b>	<b>Intangible fixed assets</b>	<b>38,960</b>	<b>34,313</b>	<b>4,647</b>	<b>2,709</b>
3.	Software	38,215	34,233	3,982	2,011
6.	Other intangible fixed assets	386	80	306	370
7.	Intangible fixed assets under construction	328	–	328	328
8.	Prepayments for intangible fixed assets	31	–	31	–
<b>II.</b>	<b>Tangible fixed assets</b>	<b>70,247</b>	<b>62,093</b>	<b>8,154</b>	<b>9,762</b>
3.	Individual movable assets and sets of movable assets	70,247	62,093	8,154	9,758
7.	Tangible fixed assets under construction	–	–	–	4
<b>III.</b>	<b>Non-current financial assets</b>	<b>143,858</b>	<b>700</b>	<b>143,158</b>	<b>92,400</b>
1.	Equity investments in subsidiaries	93,100	700	92,400	92,400
2.	Equity investments in associates	20,000	–	20,000	–
4.	Loans and borrowings – controlling entity, substantial influence	30,758	–	30,758	–
<b>C.</b>	<b>Current assets</b>	<b>355,176</b>	<b>3,772</b>	<b>351,404</b>	<b>394,724</b>
<b>II.</b>	<b>Long-term receivables</b>	<b>212</b>	<b>–</b>	<b>212</b>	<b>103</b>
5.	Long-term prepayments made	103	–	103	103
8.	Deferred tax asset	109	–	109	–
<b>III.</b>	<b>Short-term receivables</b>	<b>34,090</b>	<b>3,772</b>	<b>30,318</b>	<b>30,279</b>
1.	Trade receivables	30,832	3,772	27,060	25,188
7.	Short-term prepayments made	2,620	–	2,620	2,604
8.	Estimated receivables	332	–	332	2,347
9.	Other receivables	306	–	306	140
<b>IV.</b>	<b>Current financial assets</b>	<b>320,874</b>	<b>–</b>	<b>320,874</b>	<b>364,342</b>
1.	Cash on hand	33	–	33	35
2.	Cash at bank	97,246	–	97,246	2,266
3.	Short-term securities and investments	223,595	–	223,595	362,041
<b>D. I.</b>	<b>Other assets</b>	<b>19,727</b>	<b>–</b>	<b>19,727</b>	<b>10,986</b>
1.	Deferred expenses	9,800	–	9,800	10,944
3.	Accrued income	9,927	–	9,927	42
<b>TOTAL ASSETS</b>		<b>627,968</b>	<b>100,878</b>	<b>527,090</b>	<b>510,581</b>



## BALANCE SHEET

### Balance Sheet as at 31 December 2007

CZK '000	31 December 2007	31 December 2006
<b>LIABILITIES</b>		
<b>A. Equity</b>	<b>462,800</b>	<b>457,107</b>
<b>I. Share capital</b>	<b>258,322</b>	<b>265,221</b>
1. Share capital	265,216	265,216
2. Treasury shares	(6,894)	(1,095)
3. Changes in share capital	–	1,100
<b>II. Capital funds</b>	<b>–</b>	<b>35,998</b>
1. Share premium	–	22,769
2. Other capital funds	–	13,229
<b>III. Statutory reserve fund</b>	<b>23,105</b>	<b>16,453</b>
1. Statutory reserve fund / Indivisible fund	23,105	16,453
<b>IV. Retained earnings</b>	<b>5,036</b>	<b>6,391</b>
1. Accumulated profits brought forward	5,036	6,391
<b>V. Profit or loss for the current period</b>	<b>176,337</b>	<b>133,044</b>
<b>B. Liabilities</b>	<b>46,820</b>	<b>51,731</b>
<b>I. Reserves</b>	<b>1,611</b>	<b>1,103</b>
4. Other reserves	1,611	1,103
<b>II. Long-term liabilities</b>	<b>13</b>	<b>1,016</b>
5. Long-term prepayments received	13	10
10. Deferred tax liability	–	1,006
<b>III. Short-term liabilities</b>	<b>45,196</b>	<b>49,612</b>
1. Trade payables	20,563	16,378
5. Payables to employees	1,647	3,979
6. Social security and health insurance payables	1,171	3,342
7. State – tax payables and subsidies	16,752	20,022
8. Short-term prepayments received	1,955	1,007
10. Estimated payables	2,724	3,126
11. Other payables	384	1,758
<b>C. I. Other liabilities</b>	<b>17,470</b>	<b>1,743</b>
1. Accrued expenses	17,470	1,743
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>527,090</b>	<b>510,581</b>

## PROFIT AND LOSS ACCOUNT

### Profit and Loss Account for the year ended 31 December 2007

CZK '000	2007	2006
II. Sales	358,260	327,389
1. Sales of own products and services	358,260	327,389
B. Purchased consumables and services	82,690	114,148
1. Consumed material and energy	1,644	1,494
2. Services	81,046	112,654
<b>+ Added value</b>	<b>275,570</b>	<b>213,241</b>
C. Staff costs	75,594	66,920
1. Payroll costs	52,824	43,788
2. Remuneration to members of statutory bodies	1,988	4,410
3. Social security and health insurance costs	16,088	15,270
4. Social costs	4,694	3,452
D. Taxes and charges	207	245
E. Depreciation of intangible and tangible fixed assets	9,025	7,817
III. Sales of fixed assets and material	14	7
1. Sales of fixed assets	14	7
G. Change in reserves and provisions relating to operating activities and complex deferred expenses	150	(1,243)
IV. Other operating income	112	43
H. Other operating expenses	2,061	3,016
<b>* Operating profit or loss</b>	<b>188,659</b>	<b>136,536</b>
VI. Proceeds from the sale of securities and investments	24,238	80,427
J. Cost of securities and investments sold	24,350	79,556
VII. Income from non-current financial assets	30,000	25,000
1. Income from subsidiaries and associates	30,000	25,000
VIII. Income from current financial assets	4,014	5,553
K. Costs of financial assets	4,888	3,865
IX. Income from the revaluation of securities and derivatives	258	–
L. Costs of the revaluation of securities and derivatives	258	–
M. Change in reserves and provisions relating to financial activities	–	200
X. Interest income	7,864	6,800
XI. Other financial income	15	15
O. Other financial expenses	336	571

## PROFIT AND LOSS ACCOUNT

CZK '000	2007	2006
<b>* Financial profit or loss</b>	<b>36,557</b>	<b>33,603</b>
Q. Income tax on ordinary activities	48,879	37,095
1. – due	49,994	36,858
2. – deferred	(1,115)	237
<b>** Profit or loss from ordinary activities</b>	<b>176,337</b>	<b>133,044</b>
<b>*** Profit or loss for the current period (+/-)</b>	<b>176,337</b>	<b>133,044</b>
<b>**** Profit or loss before tax</b>	<b>225,216</b>	<b>170,139</b>

## CASH FLOW STATEMENT

### Cash Flow Statement for the year ended 31 December 2007

CZK '000	2007	2006
<b>Opening balance of cash and cash equivalents</b>	<b>2,301</b>	<b>1,630</b>
<b>Cash flows from ordinary activities</b>		
Profit or loss from ordinary activities before tax	225,216	170,139
Adjustments for non-cash transactions	(28,703)	(25,232)
Depreciation of fixed assets	9,025	7,817
Change in provisions and reserves	150	(1,243)
Profit/(loss) on the sale of fixed assets	(14)	(7)
Revenues from dividends and profit shares	(30,000)	(25,000)
Interest expense and interest income	(7,864)	(6,800)
<b>Net operating cash flow before changes in working capital</b>	<b>196,513</b>	<b>144,907</b>
Change in working capital	143,628	(39,970)
Change in operating receivables and other assets	(7,949)	(6,450)
Change in operating payables and other liabilities	13,132	11,563
Change in current financial assets	138,446	(45,083)
<b>Net cash flow from operations before tax and extraordinary items</b>	<b>340,142</b>	<b>104,937</b>
Interest received	7,282	8,018
Income tax paid from ordinary operations	(51,815)	(40,157)
Received dividends and profit shares	30,000	54,000
<b>Net operating cash flows</b>	<b>325,609</b>	<b>126,798</b>
<b>Cash flows from investing activities</b>		
Fixed assets expenditures	(90,871)	(5,375)
Proceeds from fixed assets sold	14	7
Loans provided to related parties	30,758	–
<b>Net investment cash flows</b>	<b>(60,099)</b>	<b>(5,368)</b>
<b>Cash flow from financial activities</b>		
Change in payables from financing	(2,283)	9
Impact of changes in equity	(168,249)	(120,768)
Cash increase in share capital	(4,500)	(95)
Payments from capital funds	(35,998)	–
Dividends paid	(127,751)	(120,673)
<b>Net financial cash flows</b>	<b>(170,532)</b>	<b>(120,759)</b>
<b>Net increase or decrease in cash and cash equivalents</b>	<b>94,978</b>	<b>671</b>
<b>Closing balance of cash and cash equivalents</b>	<b>97,279</b>	<b>2,301</b>

## STATEMENT OF CHANGES IN EQUITY

### Statement of Changes in Equity for the year ended 31 December 2007

CZK '000	Share capital	Treasury shares	Changes in share capital	Share premium	Other capital funds	Statutory reserve fund	Accumulated profits brought forward	Accumulated losses brought forward	Profit /loss for the current period	Total equity
<b>Balance at 31 December 2005</b>	<b>266,316</b>	<b>(43,614)</b>	<b>47,476</b>	<b>22,769</b>	<b>13,229</b>	<b>10,947</b>	<b>28,945</b>	<b>(11,339)</b>	<b>110,102</b>	<b>444,831</b>
Distribution of profit	–	–	–	–	–	5,506	98,119	6,477	(110,102)	–
Dividends paid	–	–	–	–	–	–	(120,673)	–	–	(120,673)
Decrease of share capital-recorded	–	42,614	(47,476)	–	–	–	–	4,862	–	–
Decrease of share capital- suggested	(1,100)	–	1,100	–	–	–	–	–	–	–
Purchase of treasury shares	–	(95)	–	–	–	–	–	–	–	(95)
Profit for the current period	–	–	–	–	–	–	–	–	133,044	133,044
<b>Balance at 31 December 2006</b>	<b>265,216</b>	<b>(1,095)</b>	<b>1,100</b>	<b>22,769</b>	<b>13,229</b>	<b>16,453</b>	<b>6,391</b>	<b>–</b>	<b>133,044</b>	<b>457,107</b>
Distribution of profit	–	–	–	–	–	6,652	126,391	–	(133,044)	–
Dividends paid	–	–	–	–	–	–	(127,751)	–	–	(127,751)
Distribution of capital funds	–	–	–	(22,769)	(13,229)	–	–	–	–	(35,998)
Decrease of share capital-recorded	–	1,095	(1,100)	–	–	–	5	–	–	–
Purchase of treasury shares	–	(6,894)	–	–	–	–	–	–	–	(6,894)
Profit for the current period	–	–	–	–	–	–	–	–	176,337	176,337
<b>Balance at 31 December 2007</b>	<b>265,216</b>	<b>(6,894)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>23,105</b>	<b>5,036</b>	<b>–</b>	<b>176,337</b>	<b>462,800</b>

## 1. GENERAL INFORMATION

### 1.1. Incorporation and Description of the Business

Burza Cenných Papírů Praha, a. s. (henceforth "the Company"), with its registered office at Rybná 14, Prague 1, was incorporated by means of a Memorandum of Association dated 24 July 1992 by 12 Czechoslovak banks and five brokerage firms.

The Company was entered in the Commercial Register maintained by the Regional Court for Prague 1 on 24 November 1992. The Ministry of Finance of the Czech Republic granted a permit to incorporate the Company on 16 October 1992. The corporate details of the Company are maintained in the Commercial Register at the Municipal Court in Prague, File B, Insert 1773.

The principal subjects of operation of the Company are as follows:

- To organise trading with registered securities issued by the Securities Commission in accordance with generally applicable legal regulations, Stock Exchange Rules and Stock Exchange Regulations, at a designated location and during set daily hours, through authorised persons, applying to the following capital market instruments:
  - a) Options in the sense of Section 8a § (1) (g) of the Securities Act, the values of which are derived from the value in the rate index composed of shares listed on the public market in the Czech Republic, in which none of the options has a weighting in excess of 35% in this index;
  - b) Futures in the sense of Section 8a § (1) (g) of the Securities Act, the values of which are derived from the value in the rate index composed of shares listed on the public market in the Czech Republic, in which none of the futures has a weighting in excess of 35% in this index;
  - c) Futures in the sense of Section 8 § 1 (d) of the Securities Act, the values of which are derived from an interest rate commonly used on the financial market in the Czech Republic;
  - d) Futures in the sense of Section 8a § 1 (d) of the Securities Act, the values of which are derived from the value of a basket of not less than two government bonds pursuant to Section 18 (1) of the Bonds Act 530/1990 of the legal code as amended, listed on a public market in the Czech Republic;
  - e) Investment certificates pursuant to Section 3 (2) (d) of the Law Governing Trading on Capital Markets;
  - f) Options, other domestic securities with which may be connected to a similar right and foreign securities carrying similar rights (warrants) pursuant to Section 3 (2) (d) and Section 3 § (3) (a) of the Law Governing Trading on Capital Markets;
  - g) Futures in the sense of Section 3 (b) or (e) of the Law Governing Trading on Capital Markets, where the underlying asset is:
    1. a share accepted for trading in an organised market in the EU or OECD countries,
    2. stock market indices of EU or OECD countries, including indices comprising shares from several countries and baskets of such indices,
    3. currency from an EU or OECD country,
    4. the interest rate from an EU or OECD currency,
    5. price and/or revenue from government bonds issued by an EU or OECD state, denominated in the currency of an EU or OECD state, including baskets of such bonds,
    6. the price of an emission credit fixed by an organised market with a registered office in an EU or OECD country,
    7. the price of commodities fixed by an organised market with a registered office in an EU or OECD country.

- to ensure publication of the results of stock exchange transactions;
- to render services involving the provision of information, even information which relates to securities not listed on a public market under the conditions set out in the Stock Exchange Act 214/1992 of the legal code as amended, to the extent of the licence issued by the Securities Commission and provided that the provision of the information is set out in the Stock Exchange Rules;
- to undertake advisory, educational and other activities relating to the principal trading in the market,
- to provide software;
- to undertake training activities;
- to facilitate educational activities;
- to engage in technical activity related to information technologies.

The Company's share capital recorded in the Commercial Register as at 31 December 2007 of CZK 265,216,000 is split into 265,216 shares of registered stock with a nominal value of CZK 1,000 per share. Only Patria Finance, a.s. has an equity interest greater than 20% (24.84%).

### 1.2. Year-to-Year changes and amendments to the Register of Companies

On 1 June 2007, a reduction of 1,100,000 in share capital issued was recorded into the Commercial Register. A resolution concerning this reduction was taken at the General Meeting held on 14 June 2006.

### 1.3. Organisational Structure of the Company

The following units report directly to the CEO:

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

### 1.4. Group Identification

As at 31 December 2007, the Prague Stock Exchange had three subsidiary companies.

UNIVYC, a.s. was recorded in the Register of Companies on 8 October 1996. The Company was incorporated by transformation of the limited liability company Burzovní Registr Cenných Papírů, s.r.o. UNIVYC became the legal successor to this company. UNIVYC is a wholly owned subsidiary of the Prague Stock Exchange. As at 31 December 2007, UNIVYC's share capital is CZK 100,000 per share.

## NOTES TO THE FINANCIAL STATEMENTS

The Company, as the sole founder, decided to form a joint-stock Company, Centrální depozitář, a.s., with the share capital of CZK 3,000,000. The sole shareholder is the Prague Stock Exchange. The Company was recorded in the Commercial Register on 3 March 2004. The Company's business includes "activities of business, financial, organisational and economic advisors".

In 2007, a change in the Company's name to "CENTRAL COUNTERPARTY, a.s." and extension of the principal operations by "trading electricity" were registered in the Commercial Register maintained by the Municipal Court in Prague.

On 8 January 2007 a foundation agreement for incorporation of the Prague Energy Market was drawn up. The founders are as follows:

Burza Cenných Papírů Praha, a.s.	investment of CZK 20,000,000
UNIVYC, a.s.	investment of CZK 20,000,000
Centrální depozitář, a.s.	investment of CZK 20,000,000

The Company was recorded in the Commercial Register on 5 March 2007.

The principal activities are as follows:

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

The stock exchange transactions involve:

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

### 1.5. Stock Exchange Chamber and Supervisory Board as at 31 December 2007

	Position	Name
<b>Stock Exchange Chamber</b>	Chairman	Ing. Petr Koblíček
	Vice Chairman	Ing. Daniel Heler
		Ing. Jan Klenor
	Member	Ing. Peter Palečka
Mgr. Petr Milev		
<b>Supervisory Board</b>	Member	Ing. Jaroslav Míl
		Ing. Milan Šimáček
		Zdeněk Bakala
		Ing. Jiří Michal
		JUDr. Martin Roman



## NOTES TO THE FINANCIAL STATEMENTS

In the year ended 31 December 2007, the following changes were made to the composition of the Stock Exchange Chamber and the Supervisory Board:

### Stock Exchange Chamber:

Position	Original member	New member	Date of change
Member	Ing. Jan Sýkora MBA	–	23 June 2007

### Supervisory Board:

Position	Original member	New member	Date of change
Member	Ing. Tomáš Prouza	–	28 May 2007
Member	–	Ing. Milan Šimáček	14 June 2007

## 2. BASIS OF ACCOUNTING AND GENERAL ACCOUNTING PRINCIPLES

The Company's accounting books and records are maintained and the financial statements were prepared in accordance with the Accounting Act 563/1991 Coll. of the legal code as amended; Regulation 500/2002 Coll., and Czech Accounting Standards for Entrepreneurs, as amended.

The accounting records are maintained in compliance with general accounting principles, specifically the historical cost convention, the accruals principle, the prudence concept and the going concern assumption.

The transaction recognition date is the date when a delivery is performed, a payable settled, a receivable collected, assigned or contributed, an advance payment made or received, debt assumed, a shortfall, deficit, surplus or damage determined, an asset transferred within the reporting entity or when other events occur arising from generally binding regulations or the internal circumstances of the Company that are subject to accounting and that occurred in the Company or can be supported by relevant documents.

The Company recognises expenses and income in the period to which they relate on an accruals basis.

Expenses and costs relating to future periods are recognised on an accrual basis as deferred or accrued expenses. Income and revenues relating to future periods are recognised on an accrual basis as deferred or accrued income.

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 3.1. Tangible fixed assets

Tangible fixed assets include assets with an estimated useful life greater than one year and an acquisition cost greater than CZK 40,000 on an individual basis.

The following tangible fixed assets are stated at replacement cost: tangible fixed assets acquired through donation, fixed assets recently entered in the accounting records (accounted for by a corresponding entry in the relevant accumulated depreciation account), and an investment of tangible fixed assets.

Tangible fixed assets are recorded at cost decreased by the accumulated depreciation.

The cost of fixed asset improvements exceeding CZK 40,000 for the period increases the acquisition cost of the related tangible fixed assets.

Depreciation is charged so as to write off the cost of tangible fixed assets, other than land and assets under construction, over their estimated useful lives, using the straight line method, on the following basis:

	<b>Number of years</b>
Computer systems	3–4
Vehicles	4
Furniture and fixtures	5–12
Other	4–10

Other tangible fixed assets composed of individual movable assets with an acquisition cost greater than CZK 10,000 and lower than CZK 40,000 and an estimated useful life greater than one year which are recorded in a stand-alone sub-ledger account of tangible fixed assets are depreciated according to the estimated useful life as assessed by an expert.

#### **Provisioning**

A provision for impairment is established when the carrying value of an asset is greater than its estimated recoverable amount.

#### 3.2. Intangible fixed assets

Intangible fixed assets include assets with an estimated useful life greater than one year and an acquisition cost greater than CZK 60,000 on an individual basis.

Purchased intangible fixed assets are recorded at cost decreased by the accumulated amortisation.

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

## NOTES TO THE FINANCIAL STATEMENTS

Amortisation of intangible fixed assets is applied on a straight line basis over their estimated useful lives as follows:

	<b>Number of years</b>
Software	3

Other intangible fixed assets composed of software with a cost greater than CZK 10,000 and lower than CZK 60,000 and an estimated useful life greater than one year are amortised according to the estimated useful life as assessed by an expert.

### **Provisioning**

A provision for impairment is established when the carrying value of an asset is greater than its estimated recoverable amount.

### **3.3. Investments in subsidiaries and associated undertakings**

A subsidiary is an enterprise that is controlled by the Company, which means that the Company has more than half of the voting rights under its control.

An associated undertaking is an enterprise where the Company has significant influence, which is the power to participate in the financial and operating policy decisions, but not control.

Equity investments in subsidiaries and associates are recorded at cost less a provision for diminution in value.

### **3.4. Financial assets**

Petty cash and bank accounts are stated at nominal value.

#### **Short-term financial assets**

The Company classifies securities and investments, other than investments in subsidiaries and associated undertakings as trading, available-for-sale or held-to-maturity.

Securities that are acquired principally for the purpose of performing transactions generating profits from short-term fluctuations in price are classified as trading investments and included in current assets.

Investments with a fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, unless the date of maturity falls within 12 months of the balance sheet date.

All securities and investments are initially recorded at cost, including transaction costs. Held-to-maturity investments are subsequently accounted for at amortised cost. Other investments are subsequently accounted for at fair value. The fair value is determined as the market value of the securities as at the balance sheet date. Measurement of non-traded securities is based on management estimates based on recognised models or valuation techniques.

Gains and losses arising from changes in the fair value of trading instruments are included in the income statement in the period in which they arise.

A provision for impairment is established for held-to-maturity investments when their carrying value is greater than their estimated recoverable amount.

### **3.5. Receivables**

Receivables are stated at the nominal value less a provision for doubtful amounts.

#### **Provisioning**

The Company records provisions against receivables based upon an assessment of the recoverability of individual debts.

### **3.6. Trade payables**

Upon origination trade payables are stated at their nominal value.

### **3.7. Provisions**

Provisions are recognised when the Company has a present obligation, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

### **3.8. Foreign currency translation**

Transactions denominated in a foreign currency are translated and recorded at the rate of exchange ruling as at the transaction date.

All monetary assets and liabilities denominated in foreign currencies have been translated at the year-end exchange rate as published by the Czech National Bank. All foreign exchange gains and losses from translation of receivables are recognised in the profit and loss account.

### **3.9. Taxation**

#### **3.9.1. Current tax payable**

The tax currently payable is based on taxable profit for the reporting period. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

### 3.9.2. Deferred taxation

Deferred tax is recognised on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Deferred tax assets are recognised if it is probable that sufficient future taxable profit will be available against which the assets can be utilised.

### 3.10. Treasury shares

The transferability of the shares is restricted as they may be transferred to third parties only after the approval of the Stock Exchange Chamber members in attendance. The approval is subject to the consent of a two-thirds majority of the Stock Exchange Chamber members in attendance.

The Company is obligated to repurchase treasury shares if the Stock Exchange Chamber does not approve the transfer to another party. The Company is required to sell these shares within a three-year period from the acquisition. If it fails to do so, it is obligated to withdraw the treasury shares from circulation and reduce its share capital balance by their nominal value.

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

### 3.11. Related parties

The Company's related parties are considered to be the following:

- shareholders, of which the Company is a subsidiary or an associate, directly or indirectly, and subsidiaries and associates of these shareholders;
- members of the Stock Exchange Chamber and Supervisory Board and management and parties close to such members, including entities in which they have a controlling or significant influence.

Material transactions and outstanding balances with related parties are disclosed in Note 4.15.

### 3.12. Revenue recognition

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

### 3.13. Leasing

The Company uses assets acquired under operating leases. The costs of assets held under operating leases are not capitalised as fixed assets. Lease payments are expensed evenly over the life of the lease. Future lease payments not yet due are disclosed in the notes but not recognised in the balance sheet.

## NOTES TO THE FINANCIAL STATEMENTS

### 3.14. Supplementary pension insurance

The Company provides its employees with a contribution to supplementary pension insurance as part of agreements concluded between the employee and the pension fund pursuant to Act 42/1994 of the legal code concerning pension insurance, as amended.

### 3.15. Use of estimates

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Management of the Company believes that the estimates and assumptions used will not significantly differ from the actual results and profit in the following reporting periods.

### 3.16. Year-on-year changes in accounting, valuation and depreciation policies

In the year ended 31 December 2007, there were no significant year-on-year changes in accounting, valuation and depreciation policies.

### 3.17. Cash flow statement

The cash flow statement is prepared using the indirect method. Cash equivalents include current liquid assets easily convertible into cash in an amount known in advance. Cash and cash equivalents can be analysed as follows:

<b>CZK '000</b>	<b>2007</b>	<b>2006</b>
Cash on hand and cash in transit	33	35
Cash at bank	97,246	2,266
<b>Total cash and cash equivalents</b>	<b>97,279</b>	<b>2,301</b>

Cash flows from operating, investment and financial activities presented in the cash flow statement are not offset.

## 4. ADDITIONAL INFORMATION ON THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

### 4.1. Fixed assets

#### 4.1.1. Intangible fixed assets

##### Cost

CZK '000	Balance as at 31 Dec 2005	Additions	Disposals	Balance as at 31 Dec 2006	Additions	Disposals	Balance as at 31 Dec 2007
Software	72,006	1,064	38,053	35,017	4,445	1,247	38,215
– over CZK 60,000	68,298	941	37,030	32,209	4,349	526	36,032
– below CZK 60,000	3,708	123	1,023	2,808	96	721	2,183
Other intangible fixed assets	160	386	160	386	–	–	386
Intangible fixed assets under construction	32	328	32	328	–	–	328
Prepayments made	–	–	–	–	31	–	31
<b>Total</b>	<b>72,198</b>	<b>1,778</b>	<b>38,245</b>	<b>35,731</b>	<b>4,476</b>	<b>1,247</b>	<b>38,960</b>

##### Accumulated amortisation

CZK '000	Balance as at 31 Dec 2005	Additions	Disposals	Balance as at 31 Dec 2006	Additions	Disposals	Balance as at 31 Dec 2007
Software	69,322	1,737	38,053	33,006	2,474	1,247	34,233
– over CZK 60,000	65,716	1,629	37,030	30,315	2,354	526	32,143
– below CZK 60,000	3,606	108	1,023	2,691	120	721	2,090
Other intangible fixed assets	160	16	160	16	64	–	80
<b>Total</b>	<b>69,482</b>	<b>1,753</b>	<b>38,213</b>	<b>33,022</b>	<b>2,538</b>	<b>1,247</b>	<b>34,313</b>

## NOTES TO THE FINANCIAL STATEMENTS

### Net book value

CZK '000	Balance as at 31 Dec 2006	Balance as at 31 Dec 2007
Software	2,011	3,982
– over CZK 60,000	1,894	3,889
– below CZK 60,000	117	93
Other intangible fixed assets	370	306
Intangible fixed assets under construction	328	328
Prepayments made	–	31
<b>Total</b>	<b>2,709</b>	<b>4,647</b>

### Additions to Intangible Fixed Assets

In 2007 additions to intangible fixed assets which amounted to CZK 4,476,000 represent:

- software purchase in the amount of CZK 3,886,000 concerning in particular software – General Licence Terms (CZK 1,186,000), software pursuant to the PKI Stock Exchange Project (CZK 1,188,000), software for a network gate (CZK 748,000), software – working out a Web Detail (CZK 293,000);
- unification of software in the records of assets pursuant to the records of individual licences and thus the type of the assets changed (CZK 437,000);
- software improvement which in the course of the year exceeded CZK 40,000 (CZK 122,000);
- prepayment for software supply.

Intangible fixed assets under construction include the expenses related to the preparation of the script for the documentary film on the stock exchange. The film will be finalised in 2008.

### Disposals of Intangible Fixed Assets

Disposals of intangible assets in the year ended 31 December 2007 in the amount of CZK 1,247,000 included a disposal of software due to its redundancy (CZK 810,000) and the influence of licence merger (CZK 437,000).

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

CZK '000	Amortisation
2006	1,467
2007	2,100

In 2007 and 2006, no provisions against intangible fixed assets were created.



## NOTES TO THE FINANCIAL STATEMENTS

### 4.1.2. Tangible Fixed Assets

#### Cost

CZK '000	Balance as at 31 Dec 2005	Additions	Disposals	Balance as at 31 Dec 2006	Additions	Disposals	Balance as at 31 Dec 2007
Individual movable assets	72,834	4,110	859	76,085	5,321	11,159	70,247
– Machinery and equipment	52,342	3,496	147	55,691	2,935	8,232	50,394
– Vehicles	775	–	–	775	–	–	775
– Furniture and fixtures	6,363	64	–	6,427	–	61	6,366
– Low value tangible FA	13,354	550	712	13,192	2,386	2,866	12,712
Tangible FA under construction	–	4	–	4	–	4	–
<b>Total</b>	<b>72,834</b>	<b>4,114</b>	<b>859</b>	<b>76,089</b>	<b>5,321</b>	<b>11,163</b>	<b>70,247</b>

#### Accumulated depreciation and provisions

CZK '000	Balance as at 31 Dec 2005	Additions	Disposals	Balance as at 31 Dec 2006	Additions	Disposals	Balance as at 31 Dec 2007
Individual movable assets	60,836	6,350	859	66,327	6,925	11,159	62,093
– Machinery and equipment	41,217	5,813	147	46,883	6,112	8,231	44,764
– Vehicles	775	–	–	775	–	–	775
– Furniture and fixtures	5,978	101	–	6,079	103	61	6,121
– Low value tangible FA	12,866	436	712	12,590	710	2,867	10,433
<b>Total</b>	<b>60,836</b>	<b>6,350</b>	<b>859</b>	<b>66,327</b>	<b>6,925</b>	<b>11,159</b>	<b>62,093</b>

#### Net book value

CZK '000	Balance as at 31 Dec 2006	Balance as at 31 Dec 2007
Individual movable assets	9,758	8,154
– Machinery and equipment	8,808	5,630
– Furniture and fixtures	348	245
– Low value tangible FA	602	2,279
Tangible FA under construction	4	–
<b>Total</b>	<b>9,762</b>	<b>8,154</b>

## NOTES TO THE FINANCIAL STATEMENTS

### Additions to Tangible Fixed Assets

In 2007, additions to tangible fixed assets of CZK 5,321,000 predominantly include supplies for Firewall (CZK 1,723,000), servers (CZK 567,000), videoconferencing equipment (CZK 505,000) and information technology (CZK 1,847,000).

### Disposals of Tangible Fixed Assets

Disposals of tangible fixed assets of CZK 11,163,000 represented predominantly disposal of outmoded and unusable assets.

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

<b>CZK '000</b>	<b>Depreciation</b>
2006	6,350
2007	6,925

In 2007 and 2006, no allowances against tangible fixed assets were created.

None of the assets is pledged as collateral.

### 4.2. Leased assets

As at 31 December 2007, the Company has six cars under operating leases. The aggregate amount of payments made in 2007 was CZK 1,508,000 (2006: CZK 1,503,000).

The Company has the following commitments in respect of operational leases:

<b>CZK '000</b>	<b>Balance as at 31 Dec 2007</b>	<b>Balance as at 31 Dec 2006</b>
Current within one year	1,235	844
Due after one year but within five years	1,911	589
<b>Total</b>	<b>3,146</b>	<b>1,433</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 4.3. Long-term investments

The Company is the sole owner of UNIVYC, a.s. and CENTRAL COUNTERPARTY, a.s. (formerly Centrální depozitář). The share capital of UNIVYC, a.s. and CENTRAL COUNTERPARTY, a. s. amounts to CZK 100,000,000 and CZK 3,000,000, respectively. It further owns a third of shares in Prague Energy Exchange, whose share capital amounts to CZK 60,000,000 (refer to Note 1.4.).

#### Cost

CZK '000	Balance as at 31 Dec 2005	Additions	Disposals	Balance as at 31 Dec 2006	Additions	Disposals	Balance as at 31 Dec 2007
UNIVYC, a.s.	90,100	–	–	90,100	–	–	90,100
CENTRAL COUNTERPARTY, a.s.	3,000	–	–	3,000	–	–	3,000
Prague Energy Exchange	–	–	–	–	20,000	–	20,000
<b>Total</b>	<b>93,100</b>	<b>–</b>	<b>–</b>	<b>93,100</b>	<b>20,000</b>	<b>–</b>	<b>113,100</b>

#### Provisions

CZK '000	Balance as at 31 Dec 2005	Additions	Disposals	Balance as at 31 Dec 2006	Additions	Disposals	Balance as at 31 Dec 2007
CENTRAL COUNTERPARTY, a.s.	500	200	–	700	–	–	700
<b>Total</b>	<b>500</b>	<b>200</b>	<b>–</b>	<b>700</b>	<b>–</b>	<b>–</b>	<b>700</b>

#### Net value

CZK '000	Balance as at 31 Dec 2005	Balance as at 31 Dec 2006	Balance as at 31 Dec 2007
UNIVYC, a.s.	90,100	90,100	90,100
CENTRAL COUNTERPARTY, a.s.	2,500	2,300	2,300
Prague Energy Exchange	–	–	20,000
<b>Total</b>	<b>92,600</b>	<b>92,400</b>	<b>112,400</b>

As at 31 December 2007, UNIVYC, a.s. reports equity of CZK 157,497,000. In the period from 1 January 2007 to 31 December 2007, it generated a net profit of CZK 43,545,000. On the basis of a decision of the sole shareholder, in 2007 dividends were paid out of 2006 profits of CZK 30,000,000.

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2007, CENTRAL COUNTERPARTY, a.s. (formerly Centrální depozitář, a.s.) reports equity of CZK 1,057,000. In the period from 1 January 2007 to 31 December 2007, it incurred a loss of CZK 1,380,000.

As at 31 December 2007, the Prague Energy Exchange reports equity of CZK 64,608,000. In the period from the beginning of its activity to 31 December 2007 it generated a profit of CZK 4,608,000.

### Loans to subsidiaries

In the course of the year, the Company a loan to its subsidiary CENTRAL COUNTERPARTY, a.s. in the amount of CZK 30,250,000 with the interest yield of 140% of the CNB discount rate valid at the date when the debtor is credited with the loan, which is due 31 December 2008. The accrued interest as at 31 December 2007 is CZK 508,000.

The Company does not have any long-term financial assets pledged as collateral.

### 4.4. Financial assets

CZK '000	Balance as at 31 Dec 2007	Balance as at 31 Dec 2006
Cash on hand	33	35
Current accounts	97,246	2,266
Short-term securities	223,595	362,041
– held to maturity – depository notes	60,010	151,070
– at fair value through profit or loss	163,585	210,971
with fixed income	123,864	69,734
with variable yield	39,721	141,237
<b>Total financial assets</b>	<b>320,874</b>	<b>364,342</b>

In 2007, the amount of financial assets was impacted by an investment in the Prague Energy Exchange and a loan to CENTRAL COUNTERPARTY, a.s. (see Note 4.3).

In compliance with the Portfolio Management Contract, the Company holds bonds of local and foreign counterparties as at 31 December 2007.

### 4.5. Long-term receivables

As at 31 December 2007, long-term receivables amount to CZK 212,000. They include permanent advances according to contracts of CZK 103,000 (31 December 2006: CZK 103,000) which will be settled at the expiration of the contractual arrangement and a deferred tax asset of CZK 109,000 (as at 31 December 2006: CZK nil). Allowances have not been created for these receivables.

## NOTES TO THE FINANCIAL STATEMENTS

### 4.6. Short-term Receivables

An analysis of short-term receivables (net balances) is as follows:

CZK '000	Balance as at 31 Dec 2007	Balance as at 31 Dec 2006
Trade receivables – customers	27,060	25,188
Operating prepayments made	2,620	2,604
Estimated receivables	332	2 347
Other receivables and social security	306	140
<b>Total short-term receivables, net</b>	<b>30,318</b>	<b>30,279</b>

The year-on-year increase in receivables from customers was impacted by greater amount of trading fees in December. Trade receivables which are due are not secured.

#### 4.6.1. Ageing of short-term trade receivables

CZK '000	Due	Past due date					Total past due date	Total
		0–60 days	61–180 days	181–360 days	1–2 years	2 and more years		
<b>2007</b>								
Nominal value	26,752	307	1	–	6	3,766	4,080	30,832
Provisions	–	–	–	–	6	3,766	3,772	3,772
Net	26,752	307	1	–	–	–	308	27,060
<b>2006</b>								
Nominal value	25,188	–	6	–	94	4,030	4,130	29,318
Provisions	–	–	6	–	94	4,030	4,130	4,130
Net	25,188	–	–	–	–	–	–	25,188

## NOTES TO THE FINANCIAL STATEMENTS

### 4.6.2. Allowances

CZK '000	Provisions for trade receivables
<b>Balance as at 31 December 2005</b>	<b>5,495</b>
Creation	6
Release	31
Usage	1,340
<b>Balance as at 31 December 2006</b>	<b>4,130</b>
Creation	8
Release	25
Usage	341
<b>Balance as at 31 December 2007</b>	<b>3,772</b>

### 4.6.3. Inter-company receivables

CZK '000	Balance as at 31 Dec 2007	Balance as at 31 Dec 2006
Short-term trade receivables		
UNIVYC	10,024	7,886
CENTRAL COUNTERPARTY (formerly Centrální depozitář)	258	7
Prague Energy Exchange	554	–
<b>Total short-term receivables</b>	<b>10,836</b>	<b>7,893</b>

No intercompany receivables are past due.

CZK '000	Balance as at 31 Dec 2007	Balance as at 31 Dec 2006
Unbilled rental services	332	345
Information services provided by BCPP	–	2,002
<b>Estimated receivables</b>	<b>332</b>	<b>2,347</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 4.7. Deferred Expenses and Accrued Income

CZK '000	Balance as at 31 Dec 2007	Balance as at 31 Dec 2006
<b>Deferred expenses</b>	<b>9,800</b>	<b>10,944</b>
Rental of non-residential premises	2,282	2,342
Insurance	5,546	7,536
Other	1,972	1,066
<b>Accrued income</b>	<b>9,927</b>	<b>42</b>
Stock exchange information	9,811	–
Interest	116	42
<b>Total accruals and deferrals</b>	<b>19,727</b>	<b>10,986</b>

### 4.8. Equity

#### 4.8.1. Share capital

The Company's share capital recorded in the Commercial Register as at 31 December 2007 of CZK 265,216,000 is split into 265,216 shares of registered stock with a nominal value of CZK 1,000 per share (31 December 2006: 266,316,000).

Only Patria Finance, a.s. has an equity interest in the Company as at 31 December 2007 greater than 20%, i.e. 24.84% (31 December 2006: 24.745%).

Tiger Holding Four S.a.r.l, with its registered office outside the Czech Republic (Luxembourg) has an equity interest in the Company of 13.54% as at 31 December 2007 (2006: 0%).

Burza cenných papírů, a.s. has a temporary ownership of 1.70% of the treasury shares.

#### Treasury Shares

Set out below is the development and structure of the Company's shares as purchased and sold by the Company's shareholders during 2007.

CZK '000	Nominal value of shares	Purchase cost of shares	Shares purchased from	Shares withdrawn from the Company
<b>Balance as at 31 December 2006</b>	<b>1,100</b>	<b>1,095</b>		
March	4,500	6,894	Česká konsolidační agentura	
June	(1,000)	(1,000)		INVESTKONZULT, a.s.
	(100)	(95)		DISISOFT, a.s.
<b>Balance as at 31 December 2007</b>	<b>4,500</b>	<b>6,894</b>		

## NOTES TO THE FINANCIAL STATEMENTS

### 4.8.2. Profit for the year 2007

The Company generated a net profit of CZK 176,337,000 for the year ended 31 December 2007.

The net profit was arrived at as follows:

<b>CZK '000</b>	<b>2007</b>
<b>Profit before tax</b>	<b>225,216</b>
Due tax	49,994
of which: – current period	49,971
– additional tax returns	23
Deferred tax	(1,115)
<b>Net profit</b>	<b>176,337</b>

As at the balance sheet date, no decision was made regarding the allocation of the 2007 profit.

Based on a decision of the General Meeting, the Company paid dividends of CZK 127,751,000 and further paid CZK 35,998,000 from capital funds.

### 4.8.3. Statutory reserve fund

<b>CZK '000</b>	
<b>Balance as at 31 December 2005</b>	<b>10,947</b>
Creation	5,506
<b>Balance as at 31 December 2006</b>	<b>16,453</b>
Creation	6,652
<b>Balance as at 31 December 2007</b>	<b>23,105</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 4.9. Provisions

CZK '000	Reserve for potential liability from termination of employment	Reserve for social and health insurance	Total
<b>Balance as at 31 December 2005</b>	<b>981</b>	–	<b>981</b>
Creation	–	122	122
<b>Balance as at 31 December 2006</b>	<b>981</b>	<b>122</b>	<b>1,103</b>
Creation	–	508	508
<b>Balance as at 31 December 2007</b>	<b>981</b>	<b>630</b>	<b>1,611</b>

As at 31 December 2005, other provisions were created for potential liabilities arising from the verdict of the Municipal Court for Prague, as the appeal court, of 28 January 2005. The Court decided that the termination of employment delivered to a former employee on 26 July 2002 was invalid. The provision was created in the amount of CZK 981,000, equalling lost earnings and statutory insurance. In 2007, the legal dispute referred to above was not finalised.

Further, a provision for social and health insurance relating to the contracts entered into by the Company for capital life insurance for selected employees is being created. The provision will be used at the completion or termination of individual contracts. As at 31 December 2007, it amounts to CZK 630,000.

### 4.10. Payables

#### 4.10.1. Long-term payables

As at 31 December 2007, long-term payables amount to CZK 13,000 and include accepted advances (deposit) pursuant to the contract on rental of non-residential premises. As at 31 December 2006, long-term payables include advances received (deposit) of CZK 10,000 and deferred tax liability of CZK 1,006,000.

## NOTES TO THE FINANCIAL STATEMENTS

### 4.11. Short-term liabilities

Set out below is an analysis of short-term payables:

<b>CZK '000</b>	<b>Balance as at 31 Dec 2007</b>	<b>Balance as at 31 Dec 2006</b>
Trade payables – Czech Republic	20,563	16,378
Prepayments received	1,955	1,007
Estimated payables	2,724	3,126
Tax liabilities	16,752	20,022
Payables to staff	1,647	3,979
Social security and health insurance payables	1,171	3,342
Other payables	384	1,758
<b>Total short-term payables</b>	<b>45,196</b>	<b>49,612</b>

No trade payables as at 31 December 2007 and 2006 are overdue.

#### 4.11.1. Inter-company payables

<b>CZK '000</b>	<b>Balance as at 31 Dec 2007</b>	<b>Balance as at 31 Dec 2006</b>
<b>UNIVYC</b>	<b>16,436</b>	<b>9,324</b>
– trade payables	16,063	8,960
– received unbilled prepayments	373	364
<b>CENTRAL COUNTERPARTY (formerly Centrální depozitář)</b>	<b>23</b>	<b>23</b>
– received unbilled prepayments	23	23
<b>Prague Energy Exchange</b>	<b>52</b>	<b>–</b>
– trade payables	–	–
– received unbilled prepayments	52	–
<b>Total short-term intercompany payables</b>	<b>16,511</b>	<b>9,347</b>

The Company maintains no collateralised payables or payables otherwise secured.

## NOTES TO THE FINANCIAL STATEMENTS

### 4.12. Deferred tax

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

#### Deferred tax

CZK '000	Balance as at 31 Dec 2007	Balance as at 31 Dec 2006
Accumulated depreciation and amortisation of fixed assets	(805)	(1,378)
Provisions	339	264
Social security and health insurance	575	108
<b>Deferred tax asset/liability (-)</b>	<b>109</b>	<b>(1,006)</b>
<b>Deferred tax (income)/expense</b>	<b>(1,115)</b>	<b>237</b>

### 4.13. Income tax on ordinary activities

The charge for the year can be reconciled to the profit per the profit and loss account, as follows:

CZK '000	Balance as at 31 Dec 2007	Balance as at 31 Dec 2006
Profit before tax	225,216	170,139
Tax at the domestic income tax rate of 24%	54,052	40,833
Tax effect of expenses that are not deductible in determining taxable profit	3,230	2,368
Impact of income exempt from tax	(7,311)	(6,346)
<b>Current tax</b>	<b>49,971</b>	<b>36,856</b>
Taxes of prior years	23	3
Recognition of deferred tax	(1,115)	237
<b>Total income tax on ordinary and extraordinary activities</b>	<b>48,879</b>	<b>37,095</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 4.14. Details of income by principal activity

CZK '000	2007			2006		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Stock exchange fees	263,883	3,616	267,499	230,101	2,755	232,856
Annual trading fees	15,180	–	15,180	14,850	–	14,850
Listing fees	10,070	3,616	13,686	9,095	2,755	11,850
Trading fees	238,633	–	238,633	206,156	–	206,156
Services relating to settlement	39,972	–	39,972	71,137	–	71,137
Services for Prague Energy Exchange	12,440	–	12,440	–	–	–
Other services	10,713	27,636	38,349	9,520	13,876	23,396
<b>Total income from the sale of services</b>	<b>327,008</b>	<b>31,252</b>	<b>358,260</b>	<b>310,758</b>	<b>16,631</b>	<b>327,389</b>

### 4.15. Related Party Transactions

#### 4.15.1. Income Generated with Related Parties

CZK '000  
2007

Entity	Relation to the Company	Services	Other operating income	Financial income	Total
UNIVYC	Subsidiary	39,972	2 253	–	42,225
CENTRAL COUNTERPARTY	Subsidiary	–	93	508	601
Prague Energy Exchange	Subsidiary	12,440	231	–	12,671
<b>Total</b>		<b>52,412</b>	<b>2 577</b>	<b>508</b>	<b>55,497</b>

CZK '000  
2006

Entity	Relation to the Company	Services	Other operating income	Total
UNIVYC	Subsidiary	71,137	2 285	73,422
Centrální depozitář	Subsidiary	–	105	105
<b>Total</b>		<b>71,137</b>	<b>2 384</b>	<b>73,527</b>

The Company provides the company UNIVYC, a.s., with services relating to the settlement of securities transactions; to the Prague Energy Exchange with services providing electric energy trading. Other income includes the lease of non-residential premises including services related to the lease and services related to communication. Financial income includes the loan interest.

## NOTES TO THE FINANCIAL STATEMENTS

### 4.15.2. Purchases from related parties

**CZK '000**  
**2007**

Entity	Relation to the Company	Services
UNIVYC	Subsidiary	32,368

**CZK '000**  
**2006**

Entity	Relation to the Company	Services
UNIVYC	Subsidiary	72,483

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

### 4.16. Services

CZK '000	Year 2007	Year 2006
Repairs and maintenance	5,246	6,379
Travel expenses	1,191	814
Representation costs	484	329
Telephone, fax, postage	1,276	1,052
Low value intangible assets brought into use	105	108
Rental	13,478	13,052
Operating leases	1,508	1,503
Costs relating to settlement	32,368	72,483
Advisory services, audit	7,665	5,373
Promotion	8,802	3,797
Other services	8,923	7,764
<b>Total</b>	<b>81,046</b>	<b>112,654</b>

### 4.17. Other operating income

CZK '000	2007	2006
Contractual penalties and penalty interest	78	43
Sundry operating income	34	–
<b>Total other operating income</b>	<b>112</b>	<b>43</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 4.18. Other operating expenses

<b>CZK '000</b>	<b>2007</b>	<b>2006</b>
Gifts	52	22
Contractual penalties and penalty interest	103	–
Write-offs of receivables and transferred receivables	342	1,253
Insurance premiums	1,549	1,730
Sundry operating expenses	15	11
<b>Total other operating expenses</b>	<b>2 061</b>	<b>3 016</b>

### 4.19. Proceeds from the sale of securities and investments

<b>CZK '000</b>	<b>2007</b>	<b>2006</b>
<b>Current Financial Assets (FVPL)</b>	<b>Selling price</b>	<b>Selling price</b>
Czech bonds	24,238	53,127
Foreign bonds	–	27,300
<b>Total proceeds from the sale of securities</b>	<b>24,238</b>	<b>80,427</b>

### 4.20. Income from non-current financial assets

<b>CZK '000</b>	<b>2007</b>	<b>2006</b>
Interest received from subsidiaries (dividends)	30,000	25,000

### 4.21. Income from current financial assets

<b>CZK '000</b>	<b>2007</b>	<b>2006</b>
Interest from income depository notes	3,069	2,613
Gains from revaluation of FVPL securities	945	2,940
<b>Total income from financial assets</b>	<b>4,014</b>	<b>5,553</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 4.22. Securities and investments sold (expenses)

<b>CZK '000</b>	<b>2007</b>	<b>2006</b>
<b>Current financial assets (all FVPL)</b>	<b>Cost</b>	<b>Cost</b>
Czech bonds	24,320	52,333
Foreign bonds	30	27,223
<b>Total expenses financial assets</b>	<b>24,350</b>	<b>79,556</b>

### 4.23. Interest income

<b>CZK '000</b>	<b>2007</b>	<b>2006</b>
Interest on current bank accounts	2	2
Interest on deposit bank accounts	101	8
Interest, accrued interest income, coupon on securities	7,253	6,667
Other interest received from the loan to a subsidiary	508	123
<b>Total interest income</b>	<b>7,864</b>	<b>6,800</b>

### 4.24. Other financial income

<b>CZK '000</b>	<b>2007</b>	<b>2006</b>
Foreign exchange gains	13	12
Other	2	3
<b>Total</b>	<b>15</b>	<b>15</b>

### 4.25. Other financial expenses

<b>CZK '000</b>	<b>2007</b>	<b>2006</b>
Foreign exchange losses	203	74
Banking charges – bank guarantee	23	23
Banking charges – portfolio	5	392
Banking charges – other	105	82
<b>Total</b>	<b>336</b>	<b>571</b>

## 5. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES

### 5.1. Staff costs and number of employees

The following tables summarise the average number of the Company's employees and management for the years ended 31 December 2007 and 2006:

Figures in persons	Average headcount – 2007	Average headcount – 2006
Employees	41	41
Management	5	5
<b>Total</b>	<b>46</b>	<b>46</b>

The number of employees is based on the average headcount.

CZK '000	Total staff costs 2007	Total staff costs 2006
Staff costs of employees	73,606	62,510
of which: management	21,969	16,679
Staff costs of the Stock Exchange Chamber and Supervisory Board	1,988	4,410
<b>Total staff costs</b>	<b>75,594</b>	<b>66,920</b>

The management includes the CEO and departmental directors. Staff costs include also health and social insurance.

### 5.2. Loans, borrowings and other benefits provided

During the years ended 31 December 2007 and 2006, the members of the Company's Board of Directors (Stock Exchange Chamber) and management received the following loans and bonuses in addition to their basic salaries:

CZK '000 2007	Stock Exchange Chamber	Management
Life and pension insurance contributions	–	966
Bonuses	1,988	10,985
Cars/other movable and immovable assets to be used for private purposes	–	281
Other benefits	–	136
<b>Total</b>	<b>1,988</b>	<b>12,368</b>



## NOTES TO THE FINANCIAL STATEMENTS

<b>CZK '000 2006</b>	<b>Stock Exchange Chamber</b>	<b>Management</b>
Life and pension insurance contributions	–	849
Bonuses	4,410	5,461
Cars/other movable and immovable assets to be used for private purposes	–	348
Other benefits	–	135
<b>Total</b>	<b>4,410</b>	<b>6,793</b>

Supervisory board members did not receive any bonuses during the year 2007 and 2006.

### 6. CONTINGENT LIABILITIES AND OFF BALANCE SHEET COMMITMENTS

#### Legal Disputes

As at 31 December 2007, the Company was involved in no legal disputes, the outcome of which would significantly impact the Company's financial statements, except for the legal dispute with a former employee of the Company for which a provision was created (Note 4.9.).

### 7. POST BALANCE SHEET EVENTS

On 30 March 2008, Burza cenných papírů Praha, a.s., as the sole founder incorporated a joint stock company, Central Clearing Counterparty, a.s.

The share capital of the company amounts to CZK 2,000,000 and has been paid.

The principal activities are as follows:

- Rental of property, flats and non-residential premises for providing other than basic services relating to rental. The company intends to change its principal activity in the future.

Prague, 23 April 2008

Statutory body signature:

Function Director General, Chairman of the Stock Exchange Chamber  
Name Ing. Petr Koblíček



Member of the Stock Exchange Chamber  
Ing. Peter Palečka



## CONSOLIDATED BALANCE SHEET

### Consolidated Balance Sheet as at 31 December 2007

CZK '000	Note	31 December 2007	31 December 2006
<b>CURRENT ASSETS</b>			
Cash	6	5,991,804	86,176
Trade receivables	7	32,633	29,801
Securities held for trading	8	262,825	315,570
Securities held to maturity	9	413,883	701,532
Other current assets	10	48,999	20,523
<b>Total current assets</b>		<b>6,750,144</b>	<b>1,153,602</b>
<b>NON-CURRENT ASSETS</b>			
Equipment	11	12,366	18,129
Intangible assets	12	6,369	3,732
Other non-current assets	13	5,123	122
Deferred tax asset	17	4,481	–
<b>Total non-current assets</b>		<b>28,339</b>	<b>21,983</b>
<b>Total assets</b>		<b>6,778,483</b>	<b>1,175,585</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	14	29,302	12,048
Liabilities to shareholders and association's members	15	426,936	273,599
Current income tax liability	26	23,662	29,846
Liabilities from electricity trading	15	5,602,011	–
Short-term advanced received	16	4,440	4,364
Other current liabilities	15	147,780	344,216
<b>Total current liabilities</b>		<b>6,234,131</b>	<b>664,073</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liability	17	–	563
Provisions	18	10,793	5,219
<b>Total non-current liabilities</b>		<b>10,793</b>	<b>5,782</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	19	265,216	266,316
Treasury shares	19	(6,894)	(1,095)
Other funds	19	37,749	51,937
Retained earnings	27	237,488	188,572
<b>Total shareholders' equity</b>		<b>533,559</b>	<b>505,730</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>6,778,483</b>	<b>1,175,585</b>

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

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

### Consolidated Balance Sheet as at 31 December 2007 (continuation)

Prague, 25 April 2008

Director General, Chairman of the Stock Exchange Chamber  
Ing. Petr Kobic



Member of the Stock Exchange Chamber  
Ing. Peter Palečka



### Consolidated Profit and Loss Account for the year ended 31 December 2007

CZK '000	Note	2007	2006
<b>Revenues</b>	<b>20</b>	<b>461,967</b>	<b>357,012</b>
Services used	21	(72,522)	(54,615)
Material used	21	(2,754)	(2,481)
Employee benefit expenses	22	(110,570)	(92,686)
Depreciation and amortisation expenses	23	(14,083)	(12,626)
Other net operating expenses	24	(9,598)	(7,560)
<b>Profit from operating activities</b>		<b>252,440</b>	<b>187,044</b>
Interest income		84,669	19,359
Interest expense		(76,090)	(14,312)
Net trading income		3,860	9,669
Other net financial expenses		(1,802)	(301)
<b>Net financial income</b>	<b>25</b>	<b>10,637</b>	<b>14,415</b>
<b>Profit before income tax</b>		<b>263,077</b>	<b>201,459</b>
Income tax expense	26	(64,606)	(52,698)
<b>Profit for the year</b>		<b>198,471</b>	<b>148,761</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### Consolidated Statement of Changes in Equity for the year 2007

CZK '000	Share capital	Treasury shares	Other funds	Retained earnings	Total
<b>31 December 2005</b>	<b>313,792</b>	<b>(43,614)</b>	<b>45,041</b>	<b>162,518</b>	<b>477,737</b>
Allocation of retained earnings	–	–	6,896	(6,896)	–
Dividends paid	–	–	–	(120,673)	(120,673)
Acquisition of treasury shares	–	(95)	–	–	(95)
Share capital decrease	(47,476)	42,614	–	4,862	–
Net profit	–	–	–	148,761	148,761
<b>31 December 2006</b>	<b>266,316</b>	<b>(1,095)</b>	<b>51,937</b>	<b>188,572</b>	<b>505,730</b>
Allocation of retained earnings	–	–	8,581	(8,581)	–
Payment of dividends	–	–	–	(127,750)	(127,750)
Repayment of funds to shareholders	–	–	(22,769)	(13,229)	(35,998)
Acquisition of treasury shares	–	(6,894)	–	–	(6,894)
Share capital decrease	(1,100)	1,095	–	5	–
Net profit	–	–	–	198,471	198,471
<b>31 December 2007</b>	<b>265,216</b>	<b>(6,894)</b>	<b>37,749</b>	<b>237,488</b>	<b>533,559</b>

The share capital decrease in 2006 and 2007 was due to the cancellation of treasury shares. The treasury shares reserve were reduced by the cancelled shares and increased by the acquisition of further treasury shares.

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

## CONSOLIDATED CASH FLOW STATEMENT

### Consolidated Cash Flow Statement for the year ended 31 December 2007

CZK '000	Note	2007	2006
<b>Profit before tax</b>		<b>263,077</b>	<b>201,459</b>
Adjustments for non-cash transactions:			
Depreciation and amortisation		14,083	12,626
Increase/(Decrease) in provisions		3,551	(4,256)
Profit or loss on the sale of tangible and intangible fixed assets		(21)	(7)
Interest income		(84,669)	(19,359)
Interest expense		76,090	14,312
Foreign exchange differences		162	(54)
<b>Net operating cash flow before taxation, interest and changes in working capital</b>		<b>272,273</b>	<b>204,721</b>
Changes in working capital			
Increase in accounts receivable		(40,864)	(11,547)
Decrease in securities held for trading		49,996	11,348
Increase in accounts payable		5,751,969	364,602
<b>Net operating cash flow before taxation and interest</b>		<b>6,033,374</b>	<b>569,124</b>
Interest received		84,669	20,615
Interest paid		(76,090)	(14,312)
Income tax paid		(72,619)	(54,112)
<b>Net cash flow from ordinary activities</b>		<b>5,969,334</b>	<b>521,315</b>
<b>Cash flow from investing activities</b>			
Acquisition of tangible and intangible fixed assets		(10,964)	(5,894)
Securities held to maturity – purchases		(171,220)	(208,424)
Securities held to maturity – redemptions		210,119	143,313
Proceeds from the sale of tangible and intangible fixed assets		28	7
<b>Net cash flow from investing activities</b>		<b>27,963</b>	<b>(70,999)</b>
Acquisition of own treasury shares		(6,894)	(95)
Dividends paid		(127,750)	(120,673)
Distribution of funds to shareholders		(35,998)	–
<b>Net cash flow from financial activities</b>		<b>(170,642)</b>	<b>(120,768)</b>
Effect of exchange rate changes on cash held		172,525	–
<b>Net increase in cash and cash equivalents</b>		<b>5,654,130</b>	<b>329,548</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>34</b>	<b>642,249</b>	<b>312,701</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>34</b>	<b>6,296,379</b>	<b>642,249</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

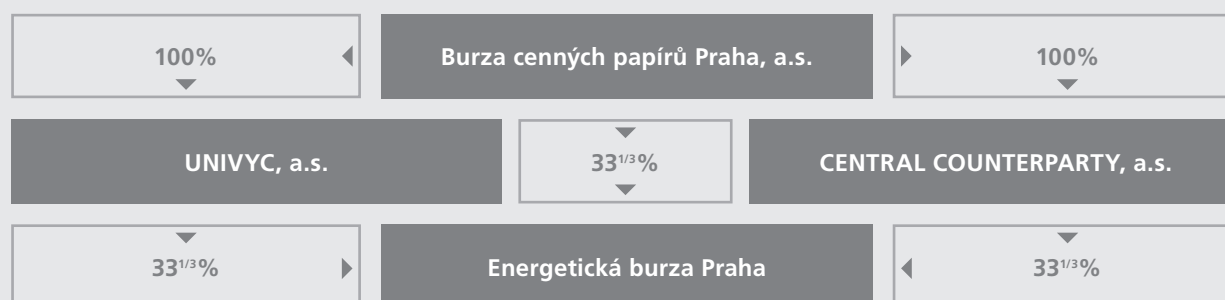
## 1. BACKGROUND INFORMATION

The principal subject of the operations of Burza cenných papírů Praha, a.s. (the "Company") and its subsidiaries (together the "Group") is to organise securities trading; trading with the rights associated with securities and associated derivative instruments in accordance with generally applicable legal regulations and stock exchange regulations on pre-determined premises and at a set daily time through authorised persons; securities trading, settlement of stock exchange trades; settlement of securities trades; settlement of derivative trades; arranging for and settlement of the supply of electricity; maintenance of securities accounts performed on behalf of the members of UNIVYC, a.s. and margin accounts on behalf of Energetická Burza Praha (the Prague Energy Exchange).

Burza cenných papírů Praha, a.s., having its registered office at Rybná 14, Prague 1, was incorporated by a Memorandum of Association dated 24 July 1992 by twelve Czechoslovak banks and five brokerage firms.

The Company was entered into the Commercial Register maintained by the District Court for Prague 1 on 24 November 1992. The Finance Ministry of the Czech Republic granted a permit to incorporate the Company on 16 October 1992. The corporate details of the Company are maintained in the Commercial Register held at the Municipal Court in Prague, File B, insert 1773.

### Structure of the consolidated Group



The consolidated financial statements include the following companies in the consolidated Group:

Company name	ID No.	Activity	Share in the consolidated Group	
			2007	2006
UNIVYC, a.s.	250 81 489	Settlement of securities trades	100%	100%
CENTRAL COUNTERPARTY, a.s. (formerly Centrální depozitář, a.s.)	271 22 689	Financial, organising and economic; settlement of supplies of electricity	100%	100%
Energetická burza Praha	278 65 444	Electricity derivatives market	100%	–

All companies stated above have their registered office at: Praha 1, Rybná 682/14, postcode 110 05

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Companies newly included in the consolidation in 2007

<b>Company name</b>	<b>Share in voting rights</b>	<b>Acquisition cost (investment)</b>
Energetická burza Praha	100%	CZK 60,000,000

### 2. SPECIFIC DEVELOPMENTS IMPACTING THE GROUP'S OPERATIONS DURING 2007

The General Meeting of the Company on 14 June 2006 decided to decrease the share capital by CZK 1,100,000 to CZK 265,216,000. The decrease of share capital was registered by the Commercial Register held by the District Court in Prague in June 2007.

In March 2007, a portion of the shares of Burza cenných papírů Praha, a.s. owned by the Czech Consolidation Agency were repurchased from the Czech Consolidation Agency for a consideration of CZK 6,894,000. The nominal value of the shares was CZK 4,500,000.

On 5 March 2007, the Energetická burza Praha (the Prague Energy Exchange) was entered into the Commercial Register. Its business includes electricity trading on the stock exchange, and indices derived from prices of commodities.

The founders are as follows:

Burza cenných papírů Praha, a.s.	investment of CZK 20,000,000
UNIVYC, a.s.	investment of CZK 20,000,000
CENTRAL COUNTERPARTY, a.s. (formerly Centrální depozitář, a.s.)	investment of CZK 20,000,000

The change of the name of the subsidiary company Centrální depozitář, a.s. to CENTRAL COUNTERPARTY, a.s. and extension of its business activities were recorded into the Commercial Register in June 2007.

Considering the EU requirement for standardising the process of the settlement of securities transactions and the system of securities registration, work on establishing Centrální depozitář, a.s. continued in UNIVYC, a.s., a subsidiary, also in 2007.

### 3. BASIS OF ACCOUNTING

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (the "EU") and International Financial Reporting Standards issued by the IASB. All International Financial Reporting Standards issued by the IASB and effective at the time of preparing these consolidated financial statements have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of the International Accounting Standard IAS 39 "Financial Instruments: Recognition and Measurement". Following recommendations from the Accounting Regulatory Committee, the European Commission adopted the Regulations 2086/2004 and 1864/2005 requiring the use of IAS 39, minus certain provisions on portfolio hedging of core deposits, by all listed companies from 1 January 2005.

Since the company is not affected by the provisions regarding portfolio hedging that are not required by the EU-endorsed version of IAS 392, the accompanying financial statements comply with both International Financial Reporting Standards as adopted by the EU and International Financial Reporting Standards issued by the IASB.

The consolidated financial statements are prepared on an accrual basis of accounting whereby the effects of transactions and other events are recognised when they occur and are reported in the financial statements of the periods to which they relate, considering the going concern assumption. The consolidated financial statements include a balance sheet, a profit and loss account, a statement of changes in equity, a cash flow statement and notes to the financial statements containing accounting policies and explanatory disclosures.

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

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

The presentation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and their reported amounts of income and expenses during the reporting period (see Note 5). Actual results could differ from those estimates.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1. Principles of Consolidation

The consolidated financial statements present the accounts and results of the Company and of its subsidiaries.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

All inter-company balances and transactions, including inter-company profits are eliminated on consolidation. Where necessary, the accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

### 4.2. Cash and Cash Equivalents

Cash comprises cash in hand and cash in transit.

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



### 4.3. Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and held-to-maturity financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Regular-way purchases and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are recognised on trade-date – the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise.

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, the Group establishes fair value using quoted prices from active markets provided by Asset manager.

#### 4.3.1. Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

Financial assets and financial liabilities are designated at fair value through profit or loss when:

- Doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held-or-trading and the underlying financial instruments were carried at amortised cost for such as loans and advances to customers or banks and debt securities in issue;
- Certain investments, such as equity investments, that are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis are designated at fair value through profit and loss; and
- Financial instruments, such as debt securities held, containing one or more embedded derivatives significantly modify the cash flows, are designated at fair value through profit and loss.

All gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets or financial liabilities are included in 'Other net financial expenses'.

**4.3.2. Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the entity intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; (b) those that the entity upon initial recognition designates as available for sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

**4.3.3. Held-to-maturity financial assets**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be reclassified as available-for-sale.

**4.4. Tangible and Intangible Fixed Assets**

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

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

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to other operating expenses during the financial period in which they are incurred.

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, as at each balance sheet date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

### 4.5. Impairment of Financial Assets

#### Financial assets carried at amortised cost

The Group assesses as at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Breach of contract, e.g. a delay in payments for more than 180 days after the due date;
- Initiation of bankruptcy proceedings.

The estimated period between a loss occurrence and its identification is determined by local management for each identified portfolio. In general, the periods used vary between six months and 12 months; in exceptional cases, longer periods are warranted.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The Group applies the following criteria for write off of financial assets:

- The final forced administration resolution or cancellation of forced administration
- Finalisation of court proceeding or declaration of distrainer about the debt being declared uncollectible

#### 4.6. Impairment of Non-Financial Assets

Where the carrying amount of a non-financial asset stated at net book value or amortised cost is greater than its estimated recoverable amount as at the financial statements date, it is written down immediately to its recoverable amount. The recoverable amount is the greater of the following amounts:

- the market value which can be recovered from the sale of an asset under normal conditions, net of selling costs;
- or the estimated future economic benefits arising from the use of the asset.

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

The carrying amount of a non-financial asset is written off as at the date when it may be reasonably assumed that the recoverable amount is zero, i.e. it is reasonably certain that the asset equals zero.

#### 4.7. Revenue Recognition

Revenues are recognised on an accrual basis when the service has been provided. Exchange charges, fees from settlement of trades, fees from PXE electricity trading, income from primary issues, sales from mediation of payments of revenues from securities and sales of other services are all recognised based on the applicable service contracts. Sales from securities custody and administration are accrued on a time-apportioned basis.

#### 4.8. Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those classified at fair value through profit or loss, are recognised within 'interest income' and 'interest expense' in the income statement using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

### 4.9. Current and deferred income tax

The income tax presented in the profit and loss account comprises the current year tax charge, adjusted for deferred taxation effects. Current tax comprises the tax payable calculated on the basis of the taxable income for the year, using the tax rates enacted by the balance sheet date, and any adjustment of the tax payable for previous years.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes.

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

Deferred tax assets including tax losses brought forward are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

### 4.10. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

### 4.11. Foreign Currency Translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The consolidated financial statements are presented in CZK, which is the Group's individual entities' functional and presentation currency.

As each balance sheet date:

- Cash items denominated in foreign currencies are translated into CZK at the Czech National Bank ("CNB") mid-rate applicable as at the balance sheet date;
- Non-monetary items denominated in foreign currencies, which are stated at historical cost, are translated into CZK at the CNB mid-rate applicable as at the transaction date; and
- Non-cash items denominated in foreign currencies, which are measured at fair value, are translated into CZK at the CNB mid-rate applicable as at the date on which the fair value was determined.

Income and expenses denominated in foreign currencies are recorded in Czech Crowns at the exchange rate prevailing as at the date of the transaction.

Gains or losses arising from movements in exchange rates after the date of the transaction are recognised in "Net financial income".

#### 4.12. Share capital and Treasury shares

Ordinary shares are classified as equity. Where the Group purchases its own treasury shares or obtains rights to purchase share capital, the consideration paid including any attributable transaction costs are deducted from total shareholders' equity as treasury shares until they are redeemed / cancelled. Where such shares are subsequently sold or reissued, any consideration received is added to the shareholders' equity.

#### 4.13. Stock Exchange Guarantee Fund, Collateral Fund and Obligations to the Association Participants

The Group administers the funds included in the Stock Exchange Guarantee Fund ("SEGF"), which is a non-incorporated association. The funds of the association are deposited in separate bank and asset management accounts maintained in the name of UNIVYC, a.s. Pursuant to the Agreement of the SEGF Association and instructions from the SEGF Board, the associated funds are invested in the money market in the form of term deposits or by purchasing Treasury bills and depository bills of exchange, thereby generating interest income.

In 2006, in connection with the inception of derivatives trading on the stock exchange, the guarantee fund for derivative trades (margin fund) became part of the SEGF.

Separate analytical balance sheet accounts within the accounting records of the Group are used to account for the funds of the association and these are included in the consolidated balance sheet of the Group along with associated liabilities to members of the Association.

Interest income generated from the financial assets held within the SEGF is included in the income statement of the Group. For administering the funds of the SEGF, the Group was paid a fee in an amount set by the SEGF rules. The fee is included in the revenues of the Group. Income received, net of the administration fee paid to the Group, was fully distributed among the individual members of the SEGF in accordance with the rules agreed. This distribution is shown as interest expense in the income statement of the Group.

The Company administers the funds included in the SEGF in accordance with the rules of the SEGF.

The Group further acts as an administrator of the Collateral Fund. The Collateral Fund holds cash collateral that has been deposited by participants who have borrowed securities lent by different participants. The accounting treatment of the cash collateral is analogous to the accounting treatment of the funds in SEGF.

#### 4.14. Margin Deposits and Clearing Fund

In 2007, both the Margin Deposit and Clearing Fund were established in connection with trading on the Prague Energy Exchange. The Margin Deposit serves as a guarantee of fulfilment of obligations from electricity transactions on the stock exchange (hereinafter "margin deposits"). The Group will use the Margin Deposits of the trading participant if the trading participant is in delay with the fulfilment of his obligations from power futures settlement. The trading participant is obliged to replenish his Margin Deposit on the day following the day when the Margin Deposit funds were used.

The purpose of the Clearing fund is to secure obligations and cover risks arising from the settlement of electrical energy trading on the exchange. The accounting treatment of both the Margin Deposits and the Clearing Fund is analogous to the accounting treatment of funds in the SEGF.

#### 4.15. Accounting for Derivative Financial Instruments

Derivative instruments used by the Group are term contracts with financial instruments (mainly forwards and swaps).

Derivatives are initially recognised at fair value on the date on which a derivative contract is concluded and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Derivatives do not meet the criteria for hedge accounting. Changes in the fair value of all derivative instruments are immediately recorded in the profit and loss statement within the Other net financial expenses.

#### 4.16. Correction of errors from previous accounting periods

When necessary, reported amounts from previous periods were adjusted in order to be in accordance with IFRS requirements.

The Group changed the method of reporting interest income and expense arising from administration of Stock Exchange Guarantee Fund and Collateral Fund.

As explained in Note 4.13., the Group reinvests financial resources of SEGF and Collateral Fund on financial markets. Yields from these financial resources belong to the contributors of these funds. The Group keeps part of the yields as a commission for administration.

In previous accounting periods, the Group reported included into its income statement only the part of interest income that represented its commission for administration. These revenues were reported in the income statement as Other operating revenues.

In the accounting period ending 31 December 2007 the Group retrospectively corrected the previous period's results and reports the total amount of accrued interest income from reinvested assets as interest income in the income statements, and the share of interest income that belongs to the contributors of the funds as interest expense in the income statement.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	31 December 2007	New method 31 December 2006	31 December 2007	Previous Method 31 December 2006
Securities held to maturity	413,883	701,532	411,134	699,949
Other current assets	48,999	16,195	49,343	16,393
Liabilities to partners and association's members	426,936	273,599	424,531	272,214
Other net operating expense	(9,598)	(7,560)	(5,891)	(5,349)
Profit from operating activities	252,440	187,044	256,147	189,255
Interest income	84,669	19,359	12,681	11,456
Interest expense	(76,090)	(14,312)	–	–
Net trading income	3,860	9,669	Not reported	Not reported
Other net financial expense	(1,802)	(301)	(5,751)	748
Net financial income	10,637	14,415	6,930	12,204

### 4.17. Changes in Accounting Policies arising from the Adoption of New IFRS and Amendments to existing IFRS effective 1 January 2007

During the current accounting period the Group adopted all new and amended standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the International Accounting Standards Board which relate to its line of business, are applicable to the accounting period beginning on 1 January 2007 and were adopted by the European Union.

In the current annual period the Group applied IFRS 7 Financial Instruments: Disclosures, which is effective for accounting periods beginning on or after 1 January 2007, and associated amendments to IAS 1 Presentation of Financial Statements.

As a result of the adoption of the standard IFRS 7 and changes in the standard IAS 1, the amount of information presented in these financial statements on financial instruments of the Group and capital disclosures increased considerably.

The following four interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) were effective in the current period: IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies, IFRIC 8 Scope of IFRS 2, IFRIC 9 Reassessment of Embedded Derivatives and IFRIC 10 Interim Financial Reporting and Impairment. The application of these new interpretations did not result in changes to the Group's accounting policies.



### **Impact of issued but not yet effective standards and interpretations**

As at the date of authorisation of these financial statements, the following standards were issued (and approved for use in the European Union) but were not yet effective:

- IFRS 8 Operating Segments (effective for accounting periods beginning on or after 1 January 2009)

IFRS 8 introduces some additional disclosure requirements, which will result in changes in the reported segments of the Group but will not have an impact on the reported results or financial position of the Group.

- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions (effective for accounting periods beginning on 1 March 2007)

According to the management, adoption of IFRIC interpretation 11 will not have a significant impact on the Group's financial statements at its-first-time application.

As at the date of authorisation of these financial statements, the following standards were issued (but not approved for use in the European Union) but were not yet effective:

- IAS 23 (as revised in 2007) Borrowing Costs (effective for accounting periods beginning on or after 1 January 2009)
- IAS 1 (as revised in 2007) Presentation of Financial Statements (effective for accounting periods beginning on or after 1 January 2009)
- IAS 27 (as revised in 2008) Consolidated and Separate Financial Statements and IFRS 3 (as revised in 2008) Business Combinations (effective for accounting periods beginning on or after 1 July 2009)
- IFRS 2 (as revised in 2008) Share-based Payment (effective for accounting periods beginning on or after 1 January 2009)
- IAS 32 (as revised in 2008) Financial Instruments: Presentation and IAS 1 (as revised in 2008) Presentation of Financial Statements – Amendments relating to disclosure of puttable instruments and obligations arising on liquidation (effective for accounting periods beginning on or after 1 January 2009)
- IFRIC 12 Service Concession Arrangements (effective for accounting periods beginning on 1 January 2008)
- IFRIC 13 Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 July 2009).
- IFRIC 14 IAS 19 Employee Benefits - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction Limit (effective for accounting periods beginning on 1 January 2008)

The management presumes that the Group will not early adopt any of these standards and interpretations and that their ultimate adoption will not have a significant impact on the Group's financial statements at their first-time application.

#### 4.18. Application of IFRS 7 – Financial Instruments: Disclosures

The Group's consolidated financial statements for the year ended 31 December 2007 were prepared in accordance with the accounting standard IFRS 7 – Financial Instruments: Disclosures.

Pursuant to IAS 39 Financial Instruments: Recognition and Measurement, the Group classifies financial instruments into the categories set out below.

The Group recognises the following types of financial instruments:

##### Classification of categories and classes of financial instruments as at 31 December 2007

CZK '000	Loans and receivables	Securities held to maturity	Securities held for trading	Financial liabilities	Financial liabilities at fair value
<b>Classes</b>					
Cash	5,991,804	–	–	–	–
Trade receivables	32,633	–	–	–	–
Securities held for trading	–	–	262,825	–	–
Securities held to maturity	–	413,883	–	–	–
Other current assets	16,424	–	–	–	–
Trade payables	–	–	–	29,302	–
Liabilities to partners and association's members	–	–	–	426,936	–
Other current liabilities	–	–	–	5,745,250	258
<b>Total</b>	<b>6,040,861</b>	<b>413,883</b>	<b>262,825</b>	<b>6,201,488</b>	<b>258</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Classification of categories and classes of financial instruments as at 31 December 2006

CZK '000	Loans and receivables	Securities held to maturity	Securities held for trading	Financial liabilities	Financial liabilities at fair value
<b>Classes</b>					
Cash	86,176	–	–	–	–
Trade receivables	34,129	–	–	–	–
Securities held for trading	–	–	315,570	–	–
Securities held to maturity	–	701,532	–	–	–
Other current assets	2,423	–	–	–	–
Trade payables	–	–	–	12,048	–
Liabilities to partners and association's members	–	–	–	273,599	–
Other payables	–	–	–	333,484	–
<b>Total</b>	<b>122,728</b>	<b>701,532</b>	<b>315,570</b>	<b>619,131</b>	<b>–</b>

### Gains and losses by categories of financial instruments as of 31 December 2007

CZK '000	Loans and receivables	Securities held to maturity	Securities held for trading	Financial liabilities	Financial liabilities at fair value
Interest income	510	84,159	–	–	–
Interest expense	–	–	–	(76,090)	–
Net financial income	(174,994)	–	4,118	173,184	(258)
<b>Total</b>	<b>(174,484)</b>	<b>84,159</b>	<b>4,118</b>	<b>97,094</b>	<b>(258)</b>

### Gains and losses by categories of financial instruments as at 31 December 2006

CZK '000	Loans and receivables	Securities held to maturity	Securities held for trading	Financial liabilities	Financial liabilities at fair value
Interest income	224	19,135	–	–	–
Interest expense	–	–	–	(14,312)	–
Net financial income	(516)	–	9,669	215	–
<b>Total</b>	<b>(292)</b>	<b>19,135</b>	<b>9,669</b>	<b>(14,097)</b>	<b>–</b>

## 5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLICATION OF ACCOUNTING POLICIES

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### 5.1. Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment at least as at the balance sheet date. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

In 2007, the Group has no indications that its receivables would not be paid in full and therefore no impairment has been accounted for.

Loss from impairment of trade receivables accounted in the previous years covers 100% of the nominal values of receivables because these represent receivables claimed in law suits. The Group therefore does not anticipate any change in impairment assessment of these receivables.

### 5.2. Held-to-maturity investments

The Group follows IAS 39 guidelines on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire category as available-for-sale.

If all the held-to-maturity investments are tainted, the investments would therefore be measured at fair value not amortised cost and accounted into the equity reserve. The impact from revaluation into equity would be immaterial due to the short-term nature of all instruments.

### 5.3. Income taxes

The Group is subject to income taxes in the Czech Republic. Estimates are required in determining the current and deferred taxes.

The management of the Group assessed available information about future taxable profits and other potential sources of deferred tax assets utilisation. Deferred tax assets recognised in the balance sheet represent the best estimate performed, by management of the Company, of the amount which is likely to be utilised.

Deferred tax asset from tax losses was recognised in full because the Group anticipates its full utilisation against future taxable profits.

### 6. CASH

Cash as at 31 December 2007 and 2006 consists of the following balances:

<b>CZK '000</b>	<b>2007</b>	<b>2006</b>
Cash on hand	191	232
Cash at bank	5,991,613	85,944
<b>Total cash</b>	<b>5,991,804</b>	<b>86,176</b>

## 7. TRADE RECEIVABLES

Receivables as of 31 December 2007 and 2006 consist of the following balances:

CZK '000	2007	2006
Trade receivables*	36,510	35,702
<b>Total receivables (gross)</b>	<b>36,510</b>	<b>35,702</b>
Provision	(3,877)	(5,901)
<b>Total receivables (net)</b>	<b>32,633</b>	<b>29,801</b>

\* Represent mainly fee receivables from activities of members of both Prague Stock Exchange and Prague Energy Exchange.

CZK '000	2007	2006
Balance as at 1 January	5,901	14,394
Additions to provisions	8	8
Release of allowances, provisions	(31)	(1,031)
Write-offs of receivables	(2,001)	(7,470)
<b>As at 31 December</b>	<b>3,877</b>	<b>5,901</b>

## 8. SECURITIES HELD FOR TRADING

CZK '000	2007	2006
Traded debt securities and other fixed income securities	188,497	104,599
Traded shares and other variable yield securities	74,328	210,971
<b>Total securities held for trading</b>	<b>262,825</b>	<b>315,570</b>

## 9. SECURITIES HELD TO MATURITY

CZK '000	2007	2006
Treasury-bills acquired from SEGF's funds	232,927	195,318
Depository bills of exchange acquired from SEGF's funds	53,450	30,845
Depository bills of exchange from funds for lent securities	–	324,299
Depository bills of exchange	127,506	151,070
<b>Total</b>	<b>413,883</b>	<b>701,532</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 10. OTHER CURRENT ASSETS

CZK '000	2007	2006
Accrued income	9,936	46
Estimated receivables	1,140	2,229
Other financial assets	5,348	148
<b>Financial assets</b>	<b>16,424</b>	<b>2,423</b>
Deferred expenses	13,139	13,920
Short term advances	4,331	4,180
Receivable from the state from excessive tax deduction	15,105	–
<b>Non-financial assets</b>	<b>32,575</b>	<b>18,100</b>
<b>Total</b>	<b>48,999</b>	<b>20,523</b>

### 11. EQUIPMENT

CZK '000	Equipment	Vehicles	Fixtures and fittings	Other	Total
<b>Cost</b>					
As at 1 January 2007	71,084	1,345	9,425	13,196	95,050
Additions	3,025	–	65	2,397	5,487
Disposals	(9,172)	–	(72)	(2,870)	(12,114)
<b>As at 31 December 2007</b>	<b>64,937</b>	<b>1,345</b>	<b>9,418</b>	<b>12,723</b>	<b>88,423</b>
<b>Accumulated depreciation</b>					
As at 1 January 2007	53,945	1,345	9,041	12,590	76,921
Depreciation charge	10,417	–	118	711	11,246
Disposals	(8,913)	–	(330)	(2,867)	(12,110)
<b>As at 31 December 2007</b>	<b>55,449</b>	<b>1,345</b>	<b>8,829</b>	<b>10,434</b>	<b>76,057</b>
<b>Net book value</b>					
<b>As at 1 January 2007</b>	<b>17,139</b>	<b>–</b>	<b>384</b>	<b>606</b>	<b>18,129</b>
<b>As at 31 December 2007</b>	<b>9,488</b>	<b>–</b>	<b>589</b>	<b>2,289</b>	<b>12,366</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CZK '000	Equipment	Vehicles	Fixtures and fittings	Other	Total
<b>Cost</b>					
As at 1 January 2006	67,591	1,345	9,361	13,354	91,651
Additions	3,790	–	64	554	4,408
Disposals	(297)	–	–	(712)	(1,009)
<b>As at 31 December 2006</b>	<b>71,084</b>	<b>1,345</b>	<b>9,425</b>	<b>13,196</b>	<b>95,050</b>
<b>Accumulated depreciation</b>					
As at 1 January 2006	44,191	1,345	8,926	12,866	67,328
Depreciation charge	10,051	–	115	436	10,602
Disposals	(297)	–	–	(712)	(1,009)
<b>As at 31 December 2006</b>	<b>53,945</b>	<b>1,345</b>	<b>9,041</b>	<b>12,590</b>	<b>76,921</b>
<b>Net book value</b>					
<b>As at 1 January 2006</b>	<b>23,400</b>	<b>–</b>	<b>435</b>	<b>488</b>	<b>24,323</b>
<b>As at 31 December 2006</b>	<b>17,139</b>	<b>–</b>	<b>384</b>	<b>606</b>	<b>18,129</b>

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 12. INTANGIBLE ASSETS

CZK '000	Software	Other	Total
<b>Cost</b>			
As at 1 January 2007	36,947	756	37,703
Additions	4,761	1,173	5,934
Disposals	(1,332)	(15)	(1,347)
<b>As at 31 December 2007</b>	<b>40,376</b>	<b>1,914</b>	<b>42,290</b>
<b>Accumulated amortisation</b>			
As at 1 January 2007	33,906	65	33,971
Amortisation charge	3,086	195	3,281
Disposals	(1,331)	–	(1,331)
<b>As at 31 December 2007</b>	<b>35,661</b>	<b>260</b>	<b>35,921</b>
<b>Net book value</b>			
<b>As at 1 January 2007</b>	<b>3,041</b>	<b>691</b>	<b>3,732</b>
<b>As at 31 December 2007</b>	<b>4,715</b>	<b>1,654</b>	<b>6,369</b>
CZK '000	Software	Other	Total
<b>Cost</b>			
As at 1 January 2006	74,012	243	74,255
Additions	1,064	728	1,792
Disposals	(38,129)	(215)	(38,344)
<b>As at 31 December 2006</b>	<b>36,947</b>	<b>756</b>	<b>37,703</b>
<b>Accumulated amortisation</b>			
As at 1 January 2006	69,741	209	69,950
Amortisation charge	2,294	16	2,310
Disposals	(38,129)	(160)	(38,289)
<b>As at 31 December 2006</b>	<b>33,906</b>	<b>65</b>	<b>33,971</b>
<b>Net book value</b>			
<b>As at 1 January 2006</b>	<b>4,271</b>	<b>34</b>	<b>4,305</b>
<b>As at 31 December 2006</b>	<b>3,041</b>	<b>691</b>	<b>3,732</b>

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

### 13. OTHER NON-CURRENT ASSETS

<b>CZK '000</b>	<b>2007</b>	<b>2006</b>
Long-term advances paid	5,123	122

Other non-current assets include long-term advances issued according to the contracts, which will be settled on expiration of the contractual arrangement.

In 2007, a long-term advance – an escrow deposit of CZK 5,000,000 was issued to OTE (electricity market operator) according to a contract on the settlement of variances and pursuant to business terms and conditions.

### 14. TRADE PAYABLES

<b>CZK '000</b>	<b>2007</b>	<b>2006</b>
Trade payables	29,302	12,048
<b>Total</b>	<b>29,302</b>	<b>12,048</b>

Overdue status of trade payables was as follows

<b>Year</b>	<b>Category</b>	<b>Before due date</b>	<b>After maturity</b>					<b>Total after due date</b>	<b>Total</b>
			<b>0–90 days</b>	<b>91–180 days</b>	<b>181–360 days</b>	<b>1–2 years</b>	<b>2 years and more</b>		
2007	Current	28,604	698	–	–	–	–	698	<b>29,302</b>
2006	Current	11,850	198	–	–	–	–	198	<b>12,048</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 15. OTHER PAYABLES

<b>CZK '000</b>	<b>2007</b>	<b>2006</b>
Accrued expenses	31,176	7,401
Payables from received guarantees for borrowed securities (Collateral Fund)	110,100	324,259
Miscellaneous payables	2,221	1,824
<b>Financial liabilities</b>	<b>143,497</b>	<b>333,484</b>
Payables to staff	2,451	5,894
Social security payables	1,832	4,838
<b>Non-financial liabilities</b>	<b>4,283</b>	<b>10,732</b>
<b>Other current liabilities</b>	<b>147,780</b>	<b>344,216</b>
Liabilities from electricity trading (Margin Deposits)	5,602,011	–
Liabilities to shareholders and association's members	426,936	273,599
<b>Total</b>	<b>6,176,727</b>	<b>617,815</b>

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

### 16. SHORT-TERM ADVANCES RECEIVED

Time discrepancy regularly arises between due dates of Securities centre's invoices and encashment of payments by trader and this is to be covered by collected short term advances from traders received were totalling to CZK 4 440,000 as at 31 December 2007 (2006: CZK 4 364,000).

## 17. DEFERRED TAX

Deferred income tax is recognised on all temporary differences between the accounting and tax carrying amount of an asset or liability using the tax rates that have been enacted and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets/(liabilities) are attributable to the following items arising from temporary differences:

CZK '000	2007	2006
Fixed assets	(738)	(1,966)
Provisions	2,267	1,251
Assets recognised only in CAS for tax purposes	1,815	–
Other	1,137	152
<b>Deferred tax asset/(liability)</b>	<b>4,481</b>	<b>(563)</b>

The movement on the deferred income tax account can be analysed as follows:

CZK '000	2007	2006
At 1 January	(563)	(1,506)
Income statement charge (Note 26)	5,044	943
<b>At 31 December</b>	<b>4,481</b>	<b>(563)</b>

## 18. PROVISIONS

The Group creates provisions which may be structured into following two classes:

CZK '000	2007	2006
Software services from Asseco, a.s.	9,182	4,212
Other provisions	1,611	1,103
<b>Total</b>	<b>10,793</b>	<b>5,315</b>
<b>Impact on profit (creation)/release</b>	<b>(5,478)</b>	<b>(4,256)</b>

Based on the Agreement on cooperation concluded with the company PVT, a.s. on 28 January 2005 the Group received services which will be reimbursed during the year 2008 and therefore the Group created a provision totalling to CZK 9,182,000 as at 31 December 2007 (2006: CZK 4,212,000). This provision will be released during the subsequent accounting period.

Other provisions are created for expenses related to the lawsuit with a former employee totalling to CZK 981,000 as at 31 December 2007 (2006: CZK 981,000) and for expenses on social and health insurance relating to contracts on capital insurance totalling to CZK 630,000 as at 31 December 2007 (2006: CZK 122,000), these provisions will be used after the end of the lawsuit and at the moment of the expiration or cancellation of individual capital insurance contracts.

## 19. SHARE CAPITAL, TREASURY SHARES AND SHAREHOLDERS' FUNDS

### Share capital

The balance of the Group's share capital recorded in the Commercial Register comprises 265,216 registered common shares of CZK 1,000 per share as at 31 December 2007 (2006: 266 316 registered common shares of CZK 1,000 per share).

### Treasury shares

The transferability of the Company's shares is restricted as they may be transferred to third parties solely subject to the prior approval of the Stock Exchange Chamber. The approval is subject to the consent of a qualified two-thirds majority of the Stock Exchange Chamber members in attendance.

The Company is obliged to repurchase treasury shares if the Stock Exchange Chamber does not approve the transfer to another party. The Company is required to dispose off-repurchased treasury shares within a three-year period. If the treasury shares are not resold within that time limit, the Company is required to cancel the shares and reduce its share capital by their nominal value.

Set out below is the development and structure of the Company's treasury shares purchased from and sold to the shareholders during 2007 and 2006.

CZK '000	Nominal value of shares	Purchase cost of shares
<b>Balance as at 1 January 2006</b>	<b>48,476</b>	<b>43,614</b>
Purchases	100	95
Cancellations	(47,476)	(42,614)
<b>Balance as at 31 December 2006</b>	<b>1,100</b>	<b>1,095</b>
Purchases	4,500	6,894
Cancellations	(1,100)	(1,095)
<b>Balance as at 31 December 2007</b>	<b>4,500</b>	<b>6,894</b>

### Other funds

CZK '000	2007	2006
Share premium arising at issue	–	22,769
Other capital funds	9,900	9,900
Statutory reserve	27,849	19,268
<b>Total</b>	<b>37,749</b>	<b>51,937</b>

In the year 2007 Gifts received were reclassified from Other funds to Retained earnings. Comparative amount of CZK 13,229,000 has been reclassified accordingly.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In accordance with provisions of the Business code share premium arising at issue was paid out fully to shareholders in the year 2007.

Other funds consist of the following:

- As at 31 December 2007, part of the share capital of the subsidiary UNIVYC, a.s. of CZK 9,900,000 was increased in the previous accounting periods by a bonus issue (2006: CZK 9,900,000)

In accordance with the Commercial Code, the individual companies of the Group are obliged to set aside a statutory reserve in equity.

Individual companies of the Group are obliged to allocate five percent of net profit to the statutory reserve until the level of 20% of share capital is achieved. This reserve can be used exclusively to cover losses. The Prague Energy Exchange is not subject to this duty.

## 20. REVENUES

The following table sets out the structure of revenues:

	2007		2006	
	Volume CZK '000	Structure %	Volume CZK '000	Structure %
Exchange charges	267,499	57.9	232,856	65.2
of which: membership fees	15,180	3.28	14,850	4.2
listing charges	13,686	2.96	11,850	3.3
dealing charges	238,633	51.66	206,156	57.7
Revenues from settlement of trades	92,936	20.12	84,851	23.8
Revenues of PXE from electricity trading	39,862	8.63	–	–
Income from primary issues	909	0.2	652	0.2
Revenues from securities custody and administration	21,499	4.65	15,781	4.4
Revenues from mediation of payments of revenues from securities	47	0.01	23	–
Revenues from other services	39,215	8.49	22,849	6.4
<b>Total revenues</b>	<b>461,967</b>	<b>100.00</b>	<b>357,012</b>	<b>100.00</b>

Sales of other services principally comprise fees for the provision of information to non-stock exchange entities and other fees.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 21. COST OF SERVICES AND MATERIAL

The following table sets out the structure of services:

<b>CZK '000</b>	<b>2007</b>	<b>2006</b>
Consumed material	(2,754)	(2,481)
<b>Total material used</b>	<b>(2,754)</b>	<b>(2,481)</b>
Rent	(25,263)	(23,908)
Outsourcing (security, wages)	(3,585)	(3,429)
Custody	(567)	(567)
Other services (member fees to associations, information services, carriage)	(5,203)	(3,929)
Professional advisory services incl. audit	(15,307)	(8,465)
Repairs and maintenance	(6,434)	(7,251)
Travel and representation expenses	(3,166)	(1,509)
Advertising and promotion	(12,997)	(5,557)
<b>Total services used</b>	<b>(72,522)</b>	<b>(54,615)</b>
<b>Total</b>	<b>(75,276)</b>	<b>(57,096)</b>

### 22. EMPLOYEE BENEFIT EXPENSES

<b>CZK '000</b>	<b>2007</b>	<b>2006</b>
Short term employee benefits	(107,774)	(87,718)
of which: Key management personnel	(31,727)	(23,967)
Remuneration to members of Exchange Chambers, Boards of Directors and Supervisory Boards	(2,796)	(4,968)
<b>Total</b>	<b>(110,570)</b>	<b>(92,686)</b>

Mandatory social and health insurance contribution paid during 2007 was CZK 23,878,000 (2006: CZK 21,443,000).

Key management personnel are defined as Chief executive officers and chiefs of departments of the Group companies.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In the years 2007 and 2006 members of Exchange Chambers, Boards of Directors and key management personnel obtained the following loans and bonuses above the contractual salary:

CZK '000	Exchange Chambers and Boards of Directors	Supervisory Boards	2007 Key management personnel
Contributions to life and pension insurance	–	–	1,208
Bonuses	2,711	85	13,185
Cars/Other movables and real estate available for private use (the figure represents increase of tax bases of key management personnel)	–	–	547
Other benefits	–	–	136
<b>Total</b>	<b>2,711</b>	<b>85</b>	<b>15,076</b>

CZK '000	Exchange Chambers and Boards of Directors	Supervisory Boards	2006 Key management personnel
Contributions to life and pension insurance	–	–	1,103
Bonuses	4,728	240	5,461
Cars/Other movables and real estate available for private use (the figure represents increase of tax bases of key management personnel)	–	–	614
Other benefits	–	–	135
<b>Total</b>	<b>4,728</b>	<b>240</b>	<b>7,313</b>



### 23. DEPRECIATION AND AMORTISATION EXPENSES

<b>CZK '000</b>	<b>2007</b>	<b>2006</b>
Depreciation of tangible fixed assets (Note 11)	(11,240)	(10,602)
Depreciation of intangible fixed assets (Note 12)	(2,843)	(2,024)
<b>Total</b>	<b>(14,083)</b>	<b>(12,626)</b>

### 24. OTHER NET OPERATING EXPENSES

Other operating income/(expenses) are as follows:

<b>CZK '000</b>	<b>2007</b>	<b>2006</b>
Other operating income	14,939	11,543
Change in operating provisions and allowances (Note 7 and 18)	(3,551)	4,255
Gains from the sale of fixed assets and raw material	21	7
Other taxes and fees	(434)	(251)
Other operating expenses	(20,573)	(23,114)
<b>Total</b>	<b>(9,598)</b>	<b>(7,560)</b>

Other operating income consisted primarily of fees for suspended and unsettled trades of CZK 8,538,000 in 2007 (2006: CZK 3,995,000), fees for inter-bank payments of CZK 3,692,000 in 2007 to (2006: CZK 3,434,000) and fees for lending of securities totalling to CZK 1,671,000 in 2007 (2006: CZK 1,340,000).

Other operating expenses constitute primarily the costs of management of foreign securities in the amount of CZK 11,828,000 (2006: CZK 9,406,000) and the sum of CZK 1,657,000 (2006: CZK 6,130,000) representing receivables written off in bankruptcy proceedings for which the municipal court decided on the final distribution of assets converted into cash. Another significant amount is fees for giro payments to CNB of CZK 1,877,000 (2006: CZK 1,817,000).

**25. NET FINANCIAL INCOME**

Net financial income is made up as follows:

<b>CZK '000</b>	<b>2007</b>	<b>2006</b>
Net trading income	3,860	9,669
Interest income	84,669	19,359
of which: Income from Guarantee Fund	11,907	16,523
Income from Collateral Fund	12,194	–
Income from Margin and Clearing Fund	55,694	–
Interest income from own financial assets	4,874	2,836
Interest expense	(76,090)	(14,312)
of which: Expense from Guarantee fund	(10,418)	(14,312)
Expense from Collateral fund	(10,524)	–
Expense from Margin and Clearing Fund	(55,148)	–
Other financial income / (expense)	(1,802)	(301)
<b>Net financial income</b>	<b>10,637</b>	<b>14,415</b>

Increase in interest income and interest expense results primarily from trading on the Prague Energy Exchange and related Margin Deposits.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 26. INCOME TAX EXPENSE

Income tax expense can be analysed as follows:

<b>CZK '000</b>	<b>2007</b>	<b>2006</b>
Income tax payable – current period	69,650	53,641
Deferred tax (Note 17)	(5,044)	(943)
<b>Total income tax</b>	<b>64,606</b>	<b>52,698</b>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

<b>CZK '000</b>	<b>2007</b>	<b>2006</b>
<b>Profit before tax</b>	<b>263,077</b>	<b>201,459</b>
Theoretical tax calculated at a tax rate of 24 percent	63,138	48,350
Income not subject to tax	(91)	–
Expenses not deductible for tax purposes	2,927	4,462
Other	(1,391)	(117)
<b>Income tax expense</b>	<b>64,583</b>	<b>52,695</b>
Additional income tax payments	23	3
<b>Total income tax expense</b>	<b>64,606</b>	<b>52,698</b>

### 27. RETAINED EARNINGS

<b>CZK '000</b>	<b>2007</b>	<b>2006</b>
<b>Retained earnings from prior years</b>	<b>188,572</b>	<b>162,518</b>
Profit for the period	198,471	148,761
Share capital decrease	5	4,862
Dividends paid	(127,750)	(120,673)
Allocations to Other funds	(8,581)	(6,896)
Distribution of retained earnings	(13,229)	–
<b>Retained earnings as at 31 December</b>	<b>237,488</b>	<b>188,572</b>

## 28. ESTIMATED FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

In estimating the fair value of the Group's financial instruments, the following methods and assumptions were used.

<b>Classes of financial instruments according to IFRS 7</b>	<b>Methods applied and fair value estimates</b>
Cash	The carrying amounts of the instruments are generally deemed to approximate their fair value.
Trade receivables	The carrying amounts of the instruments are generally deemed to approximate their fair value.
Securities at fair value	Revaluation of the book value for the fair value as at the balance sheet date according to the market price recorded by Investiční společnost Komerční banky (portfolio manager).
Securities held to maturity	The carrying amounts of the instruments (depository bills and treasury bills) are generally deemed to approximate their fair value.
Other current assets	The carrying amounts of the instruments are generally deemed to approximate their fair value.
Trade payables	The carrying amounts of the instruments are generally deemed to approximate their fair value.
Payables to partners and associations	The carrying amounts of the instruments are generally deemed to approximate their fair value.
Other payables	The carrying amounts of the instruments are generally deemed to approximate their fair value.

Payables to shareholders and association members represent payables that arise from financial resources accepted to Stock Exchange Guarantee Fund, Collateral Fund and other funds. The maturity date of these financial resources is not defined and their volume is dependent on the volume of trades and volume of securities lent. These financial resources would become callable if the exchange stopped trading. Surplus of these funds is paid back to the participants according to the rules of trading and settlement. Based on above-mentioned reasons, the Group assumes fair value of these financial resources is close to their nominal value.

## 29. MANAGEMENT OF CREDIT RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Group actively reduces the credit risk, which arises mainly on the settlement of trades with securities and derivatives of UNIVYC, a.s., Prague Energy Exchange and CENTRAL COUNTERPARTY, a.s. In order to reduce the credit risk, the market participants are obliged to contribute to the Stock Exchange Guarantee Fund and observe the DVP settlement rules (delivery versus payment), i.e. to give UNIVYC a.s. direct debit authorisation for their current accounts. Transactions on the energy exchange are performed via Margin Deposits, which serve as collateral for claims to the market participants.

The Group actively reduces the credit risk of its investments in securities. Management of the securities' portfolio was outsourced and is performed by an external contractor, who is bound under the contract to purchase only high credit quality securities and keep the portfolio diversified from the market point of view.

The investment strategy is aimed at obtaining optimum returns on funds entrusted to the external contractor for a minimum period of six months. As the purpose is to increase the portfolio value, the funds are invested in bonds of the main subsidiary as well as open market of the Prague Stock Exchange, into mortgage bonds of Czech issuers, bonds traded in the markets of the OECD member states denominated in Czech crowns and to the money market instruments so that the maximum volume of funds invested in individual instruments does not exceed the limits set out below:

Instrument type	Share in portfolio
Money market instruments (deposits, bonds with a fixed coupon denominated in CZK and with a residual maturity of up to 1 year, bonds with a variable coupon denominated in CZK)	Max. 100%
Bonds with a fixed coupon denominated in CZK and with a residual maturity of 1 to 2 years	Max. 80%
Bonds with a fixed coupon denominated in CZK and with a residual maturity of 2 to 6 years	Max. 40%

### Maximum exposure to credit risk and the quality of assets

CZK '000	2007	2006
Cash	5,991,804	86,176
Trade Receivables	32,633	34,129
Securities held for trading	262,825	315,570
Securities held to maturity	413,883	701,532
Other current assets	16,424	2,423
<b>Total</b>	<b>6,717,569</b>	<b>1,139,830</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Quality of financial assets which are not after maturity or impaired

CZK '000						2007
Rating of agency S&P	AAA	AA- to AA+	A- to A+	BBB	No rating	Total
Securities held for trading	–	45,945	159,160	29,337	28,383	262,825
Securities held to maturity	–	–	360,483	–	53,400	413,883
Cash	–	–	5,989,148	–	2,656	5,991,804
Trade receivables	–	–	–	–	32,633	32,633
Other financial assets	–	–	–	–	16,424	16,424
<b>Total</b>	<b>–</b>	<b>45,945</b>	<b>6,508,791</b>	<b>29,337</b>	<b>133,496</b>	<b>6,717,569</b>

CZK '000						2006
Rating of agency S&P	AAA	AA- to AA+	A- to A+	BBB	No rating	Total
Securities held for trading	8,726	159,119	100,968	17,398	29,359	315,570
Securities held to maturity	–	–	699,949	–	1,583	701,532
Cash	–	–	84,866	–	1,310	86,176
Trade receivables	–	–	–	–	34,129	34,129
Other financial assets	–	–	–	–	2,423	2,423
<b>Total</b>	<b>8,726</b>	<b>159,119</b>	<b>885,783</b>	<b>17,398</b>	<b>68,804</b>	<b>1,139,830</b>

The Group deposited its financial resources in following banks and with following rating and participation:

Komerční banka, a.s.	A+
Československá obchodní banka, a.s.	A+
UniCredit Bank Czech Republic, a.s.	Rating not available, though 100% shareholder Bank Austria Creditanstalt AG, Österreich, has rating A+
Citibank, a.s.	A+

Trade receivables arise mainly from fees for services that the Group provides to the participants of trade and settlement. Prague Stock Exchange does not have any minimum criteria for credit risk management of its participants. All participants are treated equally and are generally accepted as highly credible counterparties.

#### Individually impaired financial assets

The Group owns individually impaired receivables in the amount of CZK 3,877,000 (2006: CZK 5,901,000). 100% allowance was created to these receivables totalling CZK 3,877,000 (2006: CZK 5,901,000). These receivables are not secured.

Out of these receivables there is claimed:

- At the Court as at 31 December 2007 CZK 1,499,000 (2006: CZK 1,816,000)
- Under forced administration as at 31 December 2007 CZK 2,378,000 (2006: CZK 4,085,000).

### **Past due financial assets**

The Group records passed due receivables of CZK 1,006,000 as at 31 December 2007 (2006: CZK 198,000).

Out of these receivables CZK 1,005,000 is less than 90 days past due as at 31 December 2007 (2006: CZK 198,000). And as at 31 December 2007 CZK 1,000 is more than 90 days but less than 180 days passed due (2006: CZK nil).

### **30. MANAGEMENT OF LIQUIDITY RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS**

The Group is exposed to a limited liquidity risk since it is refinanced mainly by its shareholders' equity.

The Group reinvests funds that are temporarily free from the Stock Exchange Guarantee Fund, Collateral Fund and Margin Deposits in short-term, highly liquid securities.

Liquidity risk is a measure of the extent to which the Group may be required to raise funds to meet its commitments associated with financial instruments.

In view of the fact that most financial assets and liabilities are not interest-bearing and recognised in the nominal value, the actual residual maturity corresponds to the expected future cash flows.

The Group attempts to hold only liquid financial means.

Trade payables as at 31 December 2007 and 2006 are with due date in less than 3 months.

Liabilities to shareholders and association's members are in the amount of CZK 426,936,000 in 2007 (2006: CZK 273,599,000) and their maturity date is not defined. Their amount is dependant on the volume of trades processed on the Prague Stock Exchange and the Prague Energy Stock Exchange and is regularly updated.

Liabilities from electricity trading in the amount of CZK 5,602,011,000 represent payables from the settlement of trades with electricity (there were no trades with electricity on the Prague Stock Exchange in 2006). These payables are due within 1 month.

Other financial liabilities comprise of accrued expenses, payables from received guarantees for borrowed securities and miscellaneous payables. As at 31 December 2007 and 2006 they are due in less than three months.

In the event of unexpected cash flows the Group is ready to secure funding from additional sources, in particular by making use of credit up to the credit facility available under the Agreement.

### **Derivative**

The Group concluded forward deals with UniCredit Bank Czech republic, a.s. for hedging of the EUR as at the exchange date of 25 March 2008. The Group is obliged to pay CZK 212,960,000 and shall receive EUR 8,000,000.

The fair value of the derivative as at the balance sheet date was calculated from market prices and with the use of valuation methods such as relevant models of discounted future cash flow estimates.

### 31. MANAGEMENT OF MARKET RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Group is exposed to the market risk of interest rate fluctuations, which affect the fair value of securities in the portfolio of securities assessed at a fair value through profit or loss.

The Group hedges against the currency risk arising especially from trades on the energy exchange through making futures, forwards and swaps. It uses hedging derivatives to secure cash flows from recognised liabilities.

#### Sensitivity analysis to measure foreign exchange risk

The Group is exposed to foreign currency risk because of the excessive value added tax deducted in connection with electrical energy trading with participants who pay the value added tax outside the Czech Republic. It results in time discrepancy of cash flows and currencies between receiving the VAT tax refund in the Czech currency and meeting its obligations regarding payments to electricity suppliers in a foreign currency, i.e. in EUR.

In order to cover these EUR currency needs and thus be able to meet its obligations to suppliers of electricity, the Group uses hedging derivatives.

The Group uses only EUR as a foreign currency.

For internal risk management the Group defined two scenarios of possible EUR currency trends in 2008. First predicates increase in the rate (depreciation of CZK) by CZK 0.18, second predicates decrease in the rate (appreciation of CZK) by CZK 1.52

- **Sensitivity analysis to measure a foreign currency (EUR) for derivative:**

Variant of increase: If the exchange rate of EUR to CZK increases by CZK 0.18, the financial profit will increase by CZK 1,425,000 due to derivative and consequently increases profit for 2007 before tax.

Variant of decrease: If the exchange rate of EUR to CZK decreases by CZK 1.52, the financial loss will increase by CZK 12,032,000 due to derivatives and consequently decreases profit for 2007 before tax.

- **Sensitivity analysis to measure a foreign currency (EUR) for financial assets and liabilities (excluding derivative):**

Variant of increase: If the exchange rate of EUR to CZK increases by CZK 0.18 as at 31 December 2007, the financial profit will decrease by CZK 46,000 due to translation of assets and liabilities denominated in EUR and consequently increases profit for 2007 before tax.

Variant of decrease: If the exchange rate of EUR to CZK decreases by CZK 1.52 as at 31 December 2007, the financial profit will increase by CZK 389,000 due to translation of assets and liabilities denominated in EUR and consequently decreases profit for 2007 before tax.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following table shows the currency position of the Group as at 31 December 2007:

CZK '000	CZK	EUR	USD	Total
<b>Assets</b>				
Cash	382,333	5,609,459	12	5,991,804
Trade receivables	29,738	2,895		32,633
Advance payments made and other current assets	48,999	–	–	48,999
Securities held for trading at fair value	262,825	–	–	262,825
Securities held to maturity	413,883	–	–	413,883
Equipment	12,366	–	–	12,366
Intangible assets	6,369	–	–	6,369
Other non-current assets	5,123	–	–	5,123
Deferred tax asset	4,481	–	–	4,481
<b>Total assets</b>	<b>1,166,117</b>	<b>5,612,354</b>	<b>12</b>	<b>6,778,483</b>
<b>Liabilities</b>				
Trade payables	29,302	–	–	29,302
Liabilities to shareholders and association's members	426,936	–	–	426,936
Taxes and other payables	144,483	5,628,970	–	5,773,453
Short-term advances received	4,440	–	–	4,440
Provisions	10,793	–	–	10,793
Shareholders' equity	533,559	–	–	533,559
<b>Total liabilities</b>	<b>1,149,513</b>	<b>5,628,970</b>	<b>–</b>	<b>6,778,483</b>
<b>Net currency position as at 31 December 2007</b>	<b>16,604</b>	<b>(16,616)</b>	<b>12</b>	<b>–</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following table shows the currency position of the Group as at 31 December 2006:

CZK '000	CZK	EUR	USD	Total
<b>Assets</b>				
Cash	85,037	1,125	14	86,176
Trade receivables	29,190	–	611	29,801
Advance payments made and other current assets	20,523	–	–	20,523
Securities held for trading at fair value	315,570	–	–	315,570
Securities held to maturity	701,532	–	–	701,532
Equipment	18,129	–	–	18,129
Intangible assets	3,732	–	–	3,732
Other non-current assets	122	–	–	122
<b>Total assets</b>	<b>1,173,835</b>	<b>1,125</b>	<b>625</b>	<b>1,175,585</b>
<b>Liabilities</b>				
Trade payables	10,573	1,475	–	12,048
Liabilities to shareholders and association's members	273,599	–	–	273,599
Taxes and other payables	374,062	–	–	374,062
Deferred tax liability	563	–	–	563
Short-term advances received	4,364	–	–	4,364
Provisions	5,219	–	–	5,219
Shareholders' equity	505,730	–	–	505,730
<b>Total liabilities</b>	<b>1,174,110</b>	<b>1,475</b>	<b>–</b>	<b>1,175,585</b>
<b>Net currency position as at 31 December 2007</b>	<b>(275)</b>	<b>(350)</b>	<b>625</b>	<b>–</b>

### Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument, therefore, indicates to what extent it is exposed to interest rate risk. The table below provides information on the extent of the Group's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that re-price to a market rate of interest before maturity, the next re-pricing date. Those assets and liabilities that are not interest-bearing are grouped in the "Undefined" category.

### Interest rate sensitivity analysis

The Group determined two possible scenarios of development of PRIBOR interest rate in which interest yield curve moves by 100 basis point up or down.

The Group did not calculate sensitivity on EUR interest rates due to the short-term character of all financial assets and liabilities and more or less compensated interest position in EUR.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

If the PRIBOR interest rate decreases by 100 basis points as at 31 December 2007, profit for 2007 before tax will decrease by CZK 3,642,000.

If the PRIBOR interest rate increases by 100 basis points as at 31 December 2007, profit for 2007 before tax will increase by CZK 3,636,000.

### Interest position as at 31 December 2007

CZK '000	Up to 3 month	3 month to 1 year	1 to 5 years	Over 5 years	Not specified	Total
<b>Assets</b>						
Cash	5,991,804	–	–	–	–	5,991,804
Trade receivables	–	–	–	–	32,633	32,633
Advance payments made and other current assets	–	–	–	–	48,999	48,999
Securities held for trading at fair value	74,328	39,942	148,555	–	–	262,825
Securities held to maturity	180,906	232,977	–	–	–	413,883
Equipment	–	–	–	–	12,366	12,366
Intangible assets	–	–	–	–	6,369	6,369
Other non-current assets	–	–	–	–	5,123	5,123
Deferred tax asset	–	–	–	–	4,481	4,481
<b>Total assets</b>	<b>6,247,038</b>	<b>272,919</b>	<b>148,555</b>	<b>–</b>	<b>109,971</b>	<b>6,778,483</b>
<b>Liabilities</b>						
Trade payables	–	–	–	–	29,302	29,302
Liabilities to shareholders and association's members	–	–	–	–	426,936	426,936
Taxes and other payables	5,602,811	–	–	–	170,642	5,773,453
Short-term advances received	–	–	–	–	4,440	4,440
Provisions	–	–	–	–	10,793	10,793
Shareholders' equity	–	–	–	–	533,559	533,559
<b>Total liabilities and equity</b>	<b>5,602,811</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,175,672</b>	<b>6,778,483</b>
<b>Net interest risk as at 31 December 2007</b>	<b>644,227</b>	<b>272,919</b>	<b>148,555</b>	<b>–</b>	<b>(1,065,701)</b>	<b>–</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Interest position as at 31 December 2006

CZK '000	Up to 3 month	3 month to 1 year	1 to 5 years	Over 5 years	Not specified	Total
<b>Assets</b>						
Cash	3,176	–	–	–	83,000	86,176
Trade receivables	–	–	–	–	29,801	29,801
Advance payments made and other current assets	–	–	–	–	20,523	20,523
Securities held for trading at fair value	6,898	215,115	93,557	–	–	315,570
Securities held to maturity	637,011	64,521	–	–	–	701,532
Equipment	–	–	–	–	18,129	18,129
Intangible assets	–	–	–	–	3,732	3,732
Other non-current assets	–	–	–	–	122	122
<b>Total assets</b>	<b>647,085</b>	<b>279,636</b>	<b>93,557</b>	<b>–</b>	<b>155,307</b>	<b>1,175,585</b>
<b>Liabilities</b>						
Trade payables	–	–	–	–	12,048	12,048
Liabilities to shareholders and association's members	209,078	64,521	–	–	–	273,599
Taxes and other payables	324,258	–	–	–	49,804	374,062
Deferred tax liability	–	–	–	–	563	563
Short-term advances received	–	–	–	–	4,364	4,364
Provisions	–	–	–	–	5,219	5,219
Shareholders' equity	–	–	–	–	505,730	505,730
<b>Total liabilities and equity</b>	<b>533,336</b>	<b>64,521</b>	<b>–</b>	<b>–</b>	<b>577,728</b>	<b>1,175,585</b>
<b>Net interest risk as at 31 December 2007</b>	<b>113,749</b>	<b>215,115</b>	<b>93,557</b>	<b>–</b>	<b>(422,421)</b>	<b>–</b>

## 32. CAPITAL MAINTENANCE

The Group understands under capital its equity in compliance with the applied accounting principles. Individual items included in equity are presented in the Statement of changes in equity.

The objectives of the Group when managing equity are as follows:

- to be in compliance with laws of the Czech Republic;
- to ensure the ability of the Group to meet conditions of going concern so as to generate profit from the investments of shareholders and in favour to stakeholders;
- to maintain a strong capital position that would help to develop the business.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The business objective of the Group is firstly to ensure the smooth conclusion of trades on the stock exchange and their settlement. For the purposes of effective settlement and reducing credit risk (settlement risk), the Group accepts financial contributions from the participants to the Stock Exchange Guarantee Fund, Collateral Fund and Margin Deposits of the Prague Stock Exchange and fees for services provided. Financial resources of the above-mentioned funds and own free financial resources are invested in short-term highly liquid securities of high credibility in order to increase their value.

The main tool of management of equity level is the dividend policy.

### 33. RELATED PARTIES

Patria Finance a.s. has significant influence over the Group and holds 24.83% of shares as at 31 December 2007 (2006: 24.745%). The remaining 75.17% of the shares are widely held.

As at 31 December the Group has receivables from Patria Finance a.s. and its direct subsidiaries totalling to CZK 3,733,000 (2006: CZK 3,765,000). The total income generated during the year 2007 from mutual deals increased to CZK 59,689,000 from CZK 49,574,000 reached in the year 2006.

### 34. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with less than three months maturity from the date of acquisition:

<b>CZK '000</b>	<b>2007</b>	<b>2006</b>
Cash and balances with banks (Note 6)	5,991,804	86,176
Treasury bills (Note 9)	123,619	49,859
Depository bills of exchange (Note 9)	180,956	506,214
<b>Total</b>	<b>6,296,379</b>	<b>642,249</b>

### 35. SUBSEQUENT EVENTS

Central Clearing Counterparty, a.s., a joint-stock company without a public stock option, was incorporated by Burza cenných papírů Praha through a Memorandum of Association dated 31 March 2008. The registered office of the company is Rybná 14/682, Prague 1. The Company's business includes the lease of property, apartments and non-residential premises without the provision of any other than just basic services related to the lease. The authorised capital of the company paid-in cash is CZK 2,000,000.

