part of eex group

Annual report 2017

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1. Company profile

POWER EXCHANGE CENTRAL EUROPE (PXE) is the Prague-based centre of competence for the Central and Eastern European power markets. As part of EEX Group, PXE is committed to further developing products and services for the Czech, Slovak, Polish, Hungarian and Romanian market.

PXE was established on 8 January 2007 as Energetická burza Praha and, since then, offered services on the electricity markets, namely providing anonymous trading in and settlement of standardised power products. PXE offers trading in Czech, Slovak, Hungarian, Polish and Romanian electricity.

In cooperation with Powernext and Austrian Central European Gas Hub AG (CEGH), PXE operates the PEGAS CEGH Czech Market for trading in gas in the form of derivative products delivered to a virtual trading point on the Czech market.

PXE also enables end customers – in particular municipalities, firms, government organisations and any large consumers in general – to find the most suitable electricity and natural gas supplier via electronic auctions at the best price possible and under fully transparent conditions.

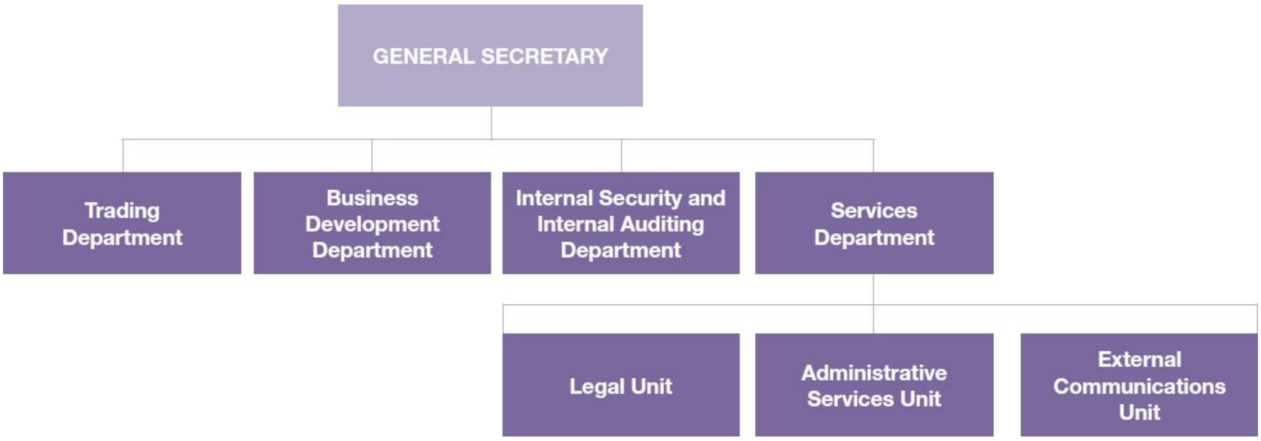
PXE is part of the EEX group associating international energy and commodities markets with more than 550 trading participants from 36 countries worldwide. Energy products provided by PXE are traded on the platform of the EEX trading system, therefore, thanks to PXE, EEX trading participants have, apart from Western European markets, also access to trading in Czech, Slovak, Hungarian, Romanian and Polish power futures.

PXE continues to cooperate closely with entities of the PX group, which includes the Prague Stock Exchange (Burza cenných papírů Praha, PSE) – one-third owner of PXE, and the Central Securities Depository Prague (Centrální depozitář cenných papírů, CSD Prague). PSE is the largest and oldest securities market organiser in the Czech Republic. CSD Prague, which has a dominant position in settlement of securities trades on the Czech capital market and maintains a central register of dematerialised securities issued in the Czech Republic.

PXE also cooperates with the CEESEG, which includes the Vienna Stock Exchange (Wiener Börse) as well as PSE and CSD Prague.

PXE has no branches abroad.

2. Organisational structure



3. Report of the exchange chamber on business activities and the state of assets

3.1 Introduction

Dear Madams, dear Sirs,

2017 was the most successful year in the history of POWER EXCHANGE CENTRAL EUROPE, a.s (PXE) in terms of trading volumes, which also affected financial results positively. These achieved record levels follow upon 2016 in which the shareholder structure changed with the implementation of a new business model.

The volume of trades in power derivatives achieved TWH 48 and the volume of trades in gas products exceeded TWh 4. These are the best results PXE has achieved since its foundation. Year-on-year, this means more than 50% growth in volumes and considering the present dynamics, we may expect this growth trend to continue in 2018.

These excellent results were achieved through close cooperation with the main shareholder, European Energy Exchange AG (EEX). PXE has transferred the trading in its product to the T7 trading system in which EEX operates, which means that, from legal perspective, the trading is now covered by the EEX regulated market licence. A similar process was carried out for gas products as well, which are now traded under Powernext, SAS exchange licence.

Thanks to these rather challenging operations, the number of trading participants in PXE products increased significantly. From an original less than 50 trading participants, there are now more than 200 entities that can trade in PXE products without having to undergo any complex administrative steps. PXE products simply “appeared” on their terminals and transactions in these products are now just a couple mouse clicks away.

With the reorganisation, a significantly higher number of trading participants who had not been previously active in the region started to trade in Czech, Slovak, Hungarian and Romanian power derivatives; hence, market liquidity may grow even further.

As a result of these changes, the PXE business model of has changed as well. While PXE remains in charge of trading in PXE products and servicing clients in the territory it has been covering historically, the major change in the business model is that PXE now represents the entire EEX group in the Central and Eastern Europe region. Any new trading participants thus become trading participants in the Europe-wide market organised under the EEX licence. This means that all trading participants may trade from one screen and through a single energy trading system nearly throughout Europe.

In 2018, PXE expects set trends to continue, and we hope to attract further participants to trading in PXE products, in particular from Western Europe. We will also work on kick-starting trading in Polish products, which has not yet been successful due to the considerable isolation of the Polish market. We nevertheless believe that we can offer very attractive services to trading participants in this territory as well.

Thank you for interest in PXE and I hope that next year we can present to you even better results and more interesting news from the energy market.

David Kučera
General Secretary of PXE

3.2 Key data

	2017	2016
Number of exchange days	**254**	**252**
Power Futures		
Trading volume (MWh)	48 112 260	30 367 476
base load	47 525 772	29 964 156
peak load	586 488	403 320
Trading volume (MEUR)	2 005	923
base load	1 971	907
peak load	34	16
Number of contracts (MW)	**13 533**	**7 837**
base load	13 136	7 490
peak load	397	347
Number of trades	**2 072**	**1 583**
base load	2 035	1 525
peak load	37	58
Gas Futures		
Trading volume (MWh)	**2 736 787**	**1 574 601**
base load	2 736 787	1 574 601
peak load	0	0
Trading volume (MEUR)	49	24
base load	49	24
peak load	0	0
Number of contracts (MW)	**1 520**	**1 359**
base load	1 520	1 359
peak load	0	0
Number of trades	**221**	**79**
base load	221	79
peak load	0	0
Gas Spot		
Trading volume (MWh)	**1 604 244**	**1 538 496**
base load	1 604 244	1 538 496
peak load	0	0
Trading volume (MEUR)	**30**	**23**
base load	30	23
peak load	0	0
Number of contracts (MW)	**58 669**	**56 975**
base load	58 669	56 975
peak load	0	0
Number of trades	**1 525**	**1 428**
base load	1 525	1 428
peak load	0	0

3.3 Financial performance

In 2017, POWER EXCHANGE CENTRAL EUROPE, a.s. (PXE) generated revenues from own services of TCZK 48 400 (2016: TCZK 42 825). The structure of revenues was as follows:

(TCZK)	2017	2016
Energy trading fees and related services	32 485	29 120
Gas trading fees and related services	6 216	4 194
ECC transaction settlement	5 936	5 606
Auction fee charged to end participants	3 387	3 127
Exchange information	361	746
Other services	15	32
Revenue from own services	**48 400**	**42 825**

The Company increased its revenues from its own services by a total of TCZK 5 575, i.e. 13.0% year-on-year. The revenue growth was mainly due to higher trading volumes in the market of power futures, and related fees.

In the current period of 2017, the Company recognised a profit after tax of TCZK 6 989 (2016: TCZK 3 947), which is TCZK 3 042 more than in the previous period.

Total assets of the Company as at 31 December 2017 amounted to TCZK 53 169 (2016: TCZK 45 215). The structure of assets is as follows:

(TCZK)	2017	2016
Fixed assets (net)	944	581
Receivables and other current assets (net)	5 058	5 166
Short-term financial assets (net)	47 167	39 468
Total assets	**53 169**	**45 215**

In the current period of 2017, the general meeting of the Company held on 27 April 2017 decided on the transfer of the profit of TCZK 3 947 to retained earnings.

The average FTE number of employees was 7.9 in 2017 (2016: 6.4). The Company complies with all applicable labour laws and regulations.

The Company does not conduct any research and development activity. All necessary services in this area are provided under an agreement on the provision of support services between related parties.

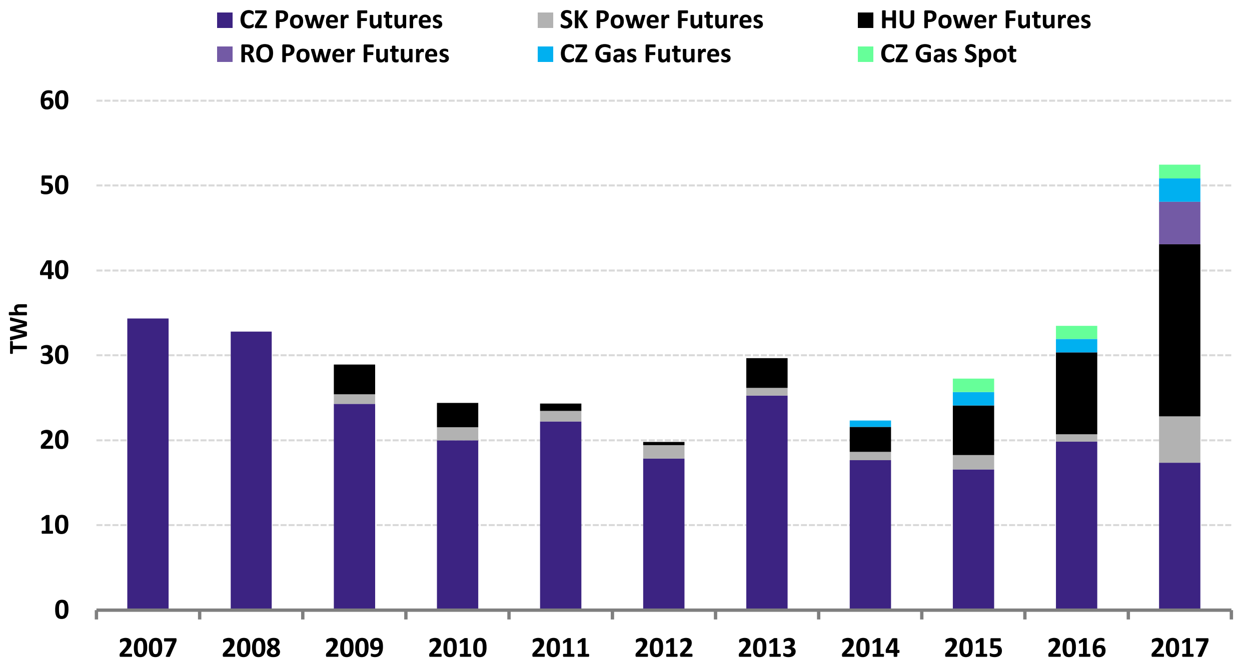
As the Company’s activity is inherently environmentally friendly, no special activities are conducted in this area.

4. Activities in 2017

4.1 Trading

In 2017, 48.11 TWh of electricity and 4.34 TWh of gas was traded on PXE. In both cases, these are the best result achieved in the existence of PXE.

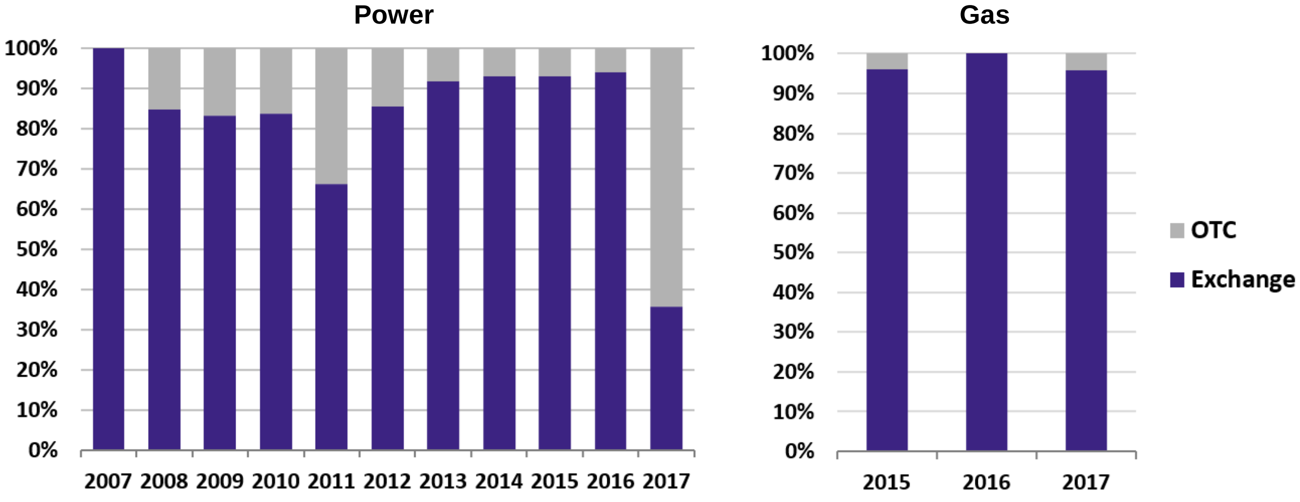
Annual trading volumes on individual markets:



The development of trading on PXE in 2017 was primarily affected by becoming part of the EEX group. This meant that PXE products became accessible to the existing EEX trading participants, without any extra administrative burden or financial costs to them. Since the migration of power futures to the EEX T7 platform on 15 June 2017, we have witnessed a rapid increase in trading volumes on Hungarian, Slovak and Romanian markets. This growth in liquidity was accompanied by a higher share of OTC registered trades, mainly due to the lack of bilateral agreements between participants.

On 8 December 2017, the migration of CEGH Czech Gas Market to the PEGAS platform took place (the new name of the market is PEGAS CEGH Czech Market). In 2018, we therefore expect an increase in both the number of active participants and trading volumes.

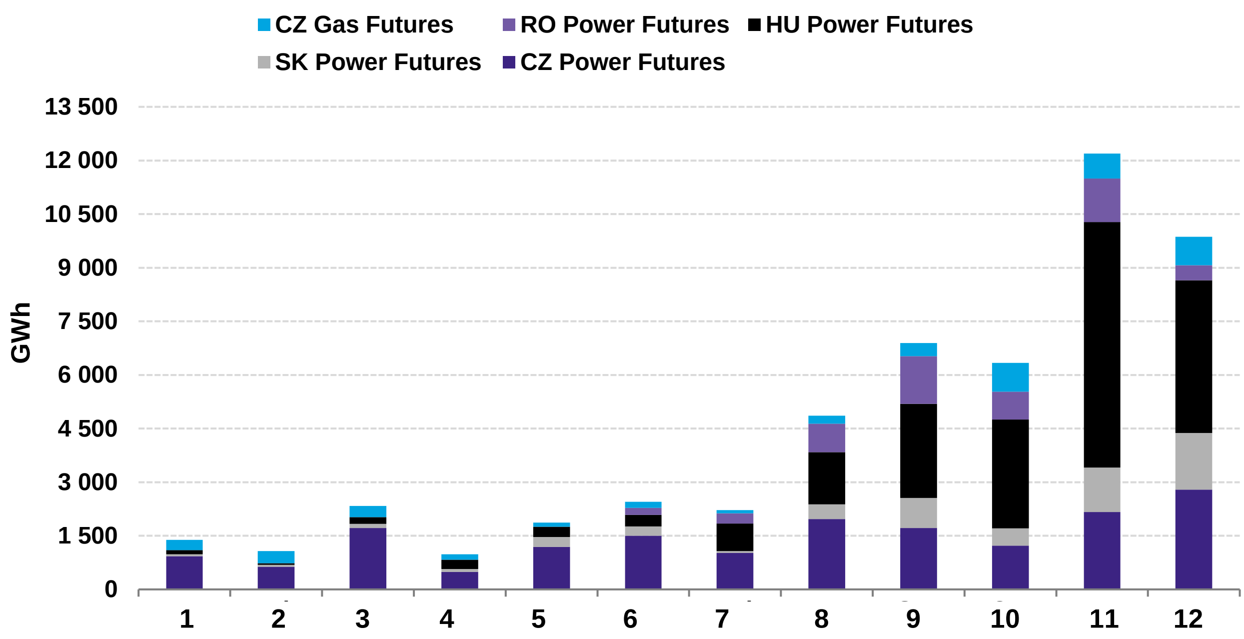
Share of OTC registered trades in total trading volumes:



Before the migration to the T7 EEX platform, monthly trading volumes of electricity were between 1.10 TWh (January) and 2.02 TWh (March). Shortly after entering EEX, in November 2017, a record monthly trading volume of power, 11.49 TWh was achieved. This has been the best result since September 2007. Entering EEX also brought record annual and daily volumes: on 18 September 2017, a record volume of Slovak electricity, 310 705 MWh was traded; on 26 September 2017, a record volume of Romanian electricity, 478 260 MWh was traded; and on 12 December 2017, a record volume of Hungarian electricity, 953 530 MWh was traded.

As mentioned above, 2017 was also the most successful year for gas trading: apart from record annual results, the best monthly result, GWh 801 744, was achieved in October 2017.

Monthly trading volumes of futures products on individual markets:

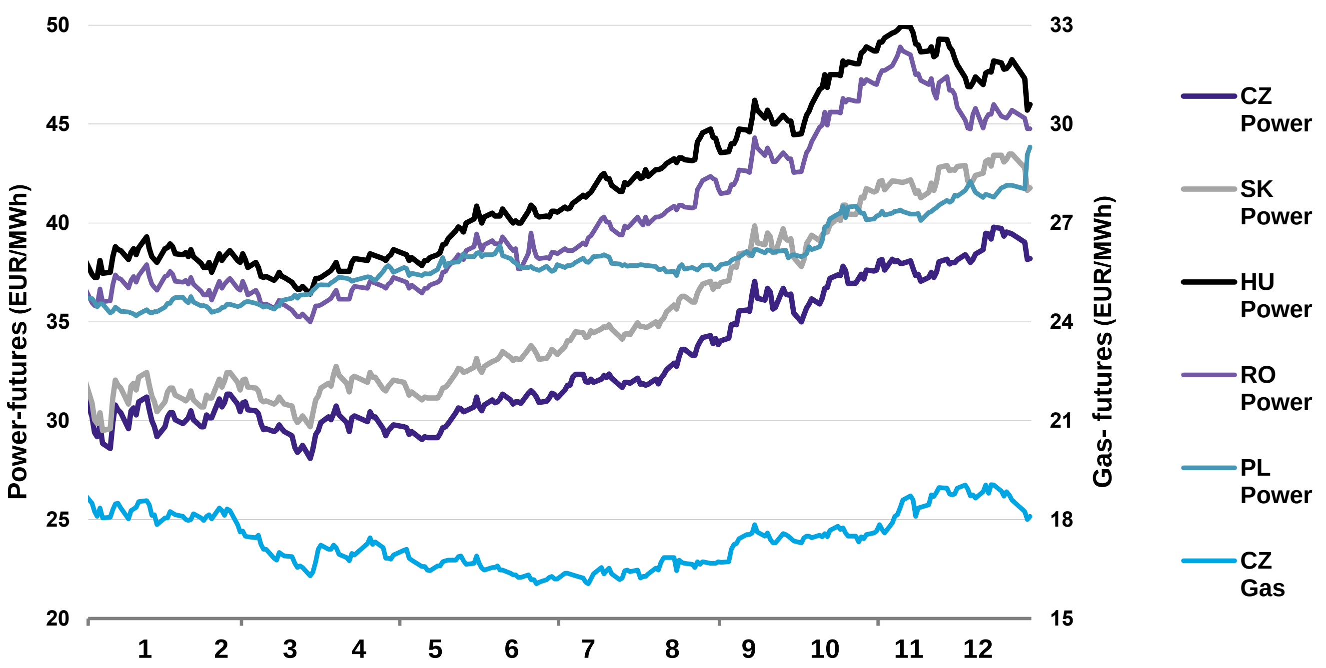


In September 2017, the portfolio of offered products was extended to Czech and Hungarian week's contracts with financial settlement, and the product range is to be further extended in the first quarter of 2018, to Czech and Hungarian day-ahead contracts and Romanian week's contracts with financial settlement.

The growing trend for energy prices that started in 2016 continued in 2017. The main factor here was the growth in coal prices caused primarily by growing Chinese demand, and the growth in prices of emission rights. In the course of 2017, electric energy prices grew by roughly 30%. The price of Czech electricity base loads with annual delivery in 2018 was at its annual minimum of EUR/MWh 28.10 on 27 March 2017, and grew to EUR/MWh 39.79 on 15 December 2017.

Unlike growing electricity prices, gas prices stagnated in the long run, and only responded to seasonal changes in supply and demand. At the beginning of 2017, the price of natural gas base loads with annual delivery in 2018 was EUR/MWh 18.50; at year-end, trading closed at EUR/MWh 18.10. The price dropped to its annual minimum of EUR/MWh 16.05 on 22 June 2017, the annual maximum of EUR/MWh 19.06 was achieved on 14 December 2017.

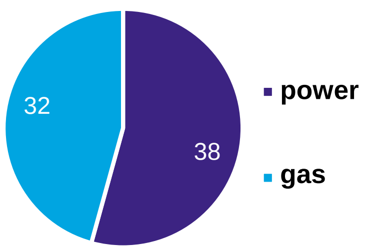
Prices of base load annual delivery in 2017:



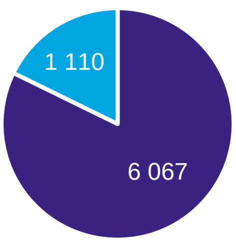
4.2 Electricity and natural gas auctions for end consumers (PXE auctions)

In 2017, a total of 38 electricity auctions and 32 natural gas auctions for end customers were successfully organised on the PXE in 43 exchange days. A total of 220 092 MWh of electricity and 285 916 MWh of natural gas was traded, accounting for 6 067 electricity withdrawal points and 1 110 gas withdrawal points. Customers purchased the two commodities primarily for 2018, but a significant portion of transactions related to 2019 and 2020 as well.

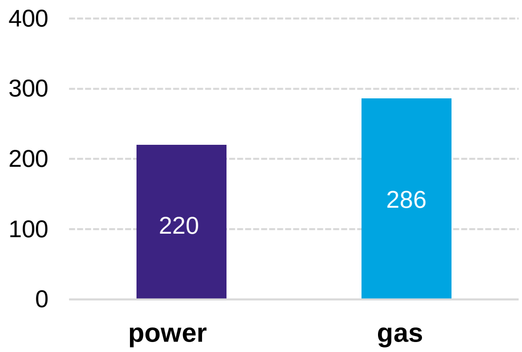
Number of auctions:



Number of withdrawal points:



Volume in GWh:



Most auction organisers were customers from the government sector, i.e. regions, cities and municipalities. By using PXE auctions, these entities comply with the tender conditions and requirements stipulated by the Public Procurement Act. In addition to these organisers, a number of commercial entities also utilised PXE's services.

In 2017 the most significant customer, with the total volume of 107 808 MWh in two consecutive electricity and gas auctions, was the Pardubice region, making use of an option of gradual purchases to ensure the delivery of both commodities until the end of 2018. Owing to gradual purchases, i.e. the division of purchases into more steps, customers may respond to changes in the market and minimise the risk of purchasing the commodity at the wrong time. In particular, the Pardubice region purchased a total of 33 373 MWh of electricity and 74 435 MWh of gas.

Three new suppliers entered the end consumer market in 2017, increasing the number of renowned suppliers to 13. All suppliers have been verified and comply with all criteria stipulated by the Public Procurement Act.

In view of the current trend, we expect continuing growth in the number of electricity and natural gas auctions in 2018. mPXE, a new mobile application, was successfully launched this year. It provides information on electricity and gas auctions, as well as on prices of all contracts traded on the wholesale market.

5. List of exchange members

Exchange members as at 31 December 2017:

- Burza cenných papírů Praha, a.s., id.no.: 471 15 629, with its registered office at Rybná 14/682, 110 05 Praha 1 (founder, shareholder)
- European Energy Exchange AG, with its registered office at Augustusplatz 9, 04109 Leipzig, Germany, recorded under no. HRB 18409 in the Commercial Register B kept by the Leipzig Court (member admitted by the exchange chamber, shareholder)
- European Commodity Clearing AG, with its registered office at Augustusplatz 9, 04109 Leipzig, Germany, recorded under no. HRB 22362 in the Commercial Register B kept by the Leipzig Court (member admitted by the exchange chamber)
- doc. JUDr. Bohumil Havel PhD. (representative of the state in the exchange chamber)

6. Private and trading officers, exchange court of arbitration

PXE trading officers as at 31 December 2017:

- Lukáš Melichar
- Jana Horová
- Tomáš Krejčí
- Jolana Slifková
- Dina Lašová
- Lenka Jonáková
- Tomáš Otáhal

Private officers do not operate on the PXE and there is no PXE exchange court of arbitration.

7. Activities assigned by PXE to third persons

As from 1 January 2016, the Prague Stock Exchange (PSE, Burza cenných papírů Praha, a.s.) ensures for the PXE the following activities:

- bookkeeping
- advisory and consulting services
- IT infrastructure development, support and maintenance
- Office management services
- PR
- Other communication and support services

8. Report on relations

Report on relations between the controlling entity and the controlled entity and between the controlled entity and other entities controlled by the same controlling entity for the 2017 accounting period

In accordance with Section 82 of Act No. 90/2012 Coll., Act on Corporations and Cooperatives (Act on Business Corporations), as amended ("BCA"), the Stock Exchange Chamber of **POWER EXCHANGE CENTRAL EUROPE, a.s.** has prepared this report on relations between

the controlling entity **European Energy Exchange AG**, with its registered office in Augustusplatz 9, 041 09 Leipzig, Germany, identification No. HRB 18409, recorded in the Commercial Register maintained by the Leipzig Court ("**EEX**" or the "**Controlling Entity**"),

and

the controlled entity **POWER EXCHANGE CENTRAL EUROPE, a.s.**, with its registered office in Praha 1, Rybná 682/14, identification No. 278 65 444, recorded in the Commercial Register maintained by the Municipal Court in Prague, section B, insert 15362 (the "**Controlled Entity**" or "**PXE**")

for the 2017 accounting period.

EEX's parent company is **Deutsche Börse AG**, with its registered office in Frankfurt am Main. The Stock Exchange Chamber is not aware of any contractual relationships between PXE and the parent company EEX or any performance rendered on any other grounds for 2017.

The report also contains information on relations with other entities controlled by the same Controlling Entity. These were:

- **EEX Power Derivatives GmbH**, with its registered address at Augustusplatz 9, 04109 Leipzig, Germany ("**EPD**"),
- **European Commodity Clearing AG,** with its registered address at Augustusplatz 9, 04109 Leipzig, Germany ("**ECC AG**"),
- **European Commodity Clearing Luxembourg S.á.r.l.,** with its registered address at 42, Avenue JF Kennedy, L-1855 Luxembourg, the Grand Duchy of Luxembourg ("**ECC Lux**"),
- **Powernext S.A.S.**, with its registered address 5 Boulevard Montmartre, 75002 Paris, France ("**Powernext**"),
- **PEGAS CEGH Gas Exchange Services GmbH**, with its registered address at Floridsdorfer Hauptstrasse 1, 1210 Vienna, Austria ("**CEGH**").

The **structure of relations** between the above entities is characterised by the participation interest which EEX holds in
a) EPD, amounting to 100%,
b) ECC AG, amounting to 100%; ECC AG also holds 100% in EEC Lux,
c) Powernext, amounting to 100%; Powernext also holds 51% in CEGH.

Pursuant to Section 82 (2) (b) and (c) of BCA, **control was exercised** through a share in the voting rights representing no less than 66,67% of all votes in a business corporation (Section 75 (3) of BCA).

The Stock Exchange Chamber of PXE is aware that a shareholders' agreement was concluded between PXE shareholders (EEX and Burza cenných papírů Praha, a.s.) in 2016, containing, inter alia, an agreement on the majority of votes necessary for the general meeting of PXE to decide on individual matters of the Controlled Entity. The Stock Exchange Chamber of PXE is further aware that the content of the shareholders' agreement has been reflected in the statutes of the Controlled Entity.

The Controlled Entity can be considered an independent and highly autonomous company which is a controlled entity by definition and whose principal activity is stipulated by law.

Overview of acts and agreements

The report also includes:

a) information indicating the acts performed in the 2017 accounting period at the instigation or in the interest of the Controlling Entity or entities controlled by the Controlling Entity where such acts concern assets with a value exceeding 10% of the Controlled Entity's equity identified from the last financial statements (Section 82 (2) (d) of BCA; and
b) an overview of agreements concluded between the Controlled Entity and the Controlling Entity or between controlled entities (Section 82 (2) (e) of BCA).

Concerning a), the general meeting held on 27 April 2017 decided, inter alia, to approve the 2016 statutory financial statements of the Controlled Entity and the proposal to transfer profit for 2016 of TCZK 3 947 to retained earnings. No other acts pursuant to Section 82 (2) (d) of BCA were performed in the 2017 accounting period.

Concerning b), contracts and agreements were concluded under Section 82 (2) (e) of BCA.

Relations between EEX and the Controlled Entity were determined by the following agreements:

Date of agreement	Name of agreement	Description of performance
5 May 2015	Non-disclosure Agreement	Bilateral non-disclosure agreement
1 October 2015	Letter of Intent	Strategic cooperation between BCPP, PXE and EEX
20 January 2016	Cooperation Agreement	Agreement on conditions for strategic cooperation between the parties
22 May 2017	Contract regarding the Execution of EEX Trader Examinations (*replaced by Cooperation Agreement on 15 June 2017*)	Supervision over trader examinations of EEX participants
15 June 2017	Cooperation Agreement 2017 (*concluded as a trilateral agreement between PXE, EEX and EPD*)	Migration of power futures products from PXE to EEX market and subsequent provisions of support services by PXE to EEX market

Relations between EPD and the Controlled Entity were determined by the following agreements:

Date of agreement	Name of agreement	Description of performance
15 June 2017	Cooperation Agreement 2017 (*concluded as a trilateral agreement between PXE, EEX and EPD*)	Migration of power futures products from PXE to EEX market and subsequent provisions of support services by PXE to EEX market

Relations between ECC AG and the Controlled Entity were determined by the following agreements:

Date of agreement	Name of agreement	Description of performance
16 February 2012	Confidentiality Agreement	Bilateral non-disclosure agreement
16 October 2012	Clearing Services Agreement (CSA), as amended by Change Request CR002-CEGH, Change Request PXE CR003, Change Request PXE CR004- Introduction of Default Process, Change Request PXE CR005_Introduction of CEGH Czech Natural Gas Spot Contracts, Change Request PXE CR006 - Introduction of Emergency Member Stop (*replaced by Agreement on Changes to the Clearing and Settlement Setup on 8 December 2017*)	Provision of clearing services by ECC AG for trading on the PXE
5 April 2013	Agreement on placement of the branch seat in the real property, as amended by Amendment No. 1 dated 1 July 2013	Provision of a registered office to EEC AG at PXE's premises
19 February 2015	Side Letter to the Clearing Services Agreement (between ECC AG, ECC Lux, PXE and EnCC*) (*replaced by Agreement on Changes to the Clearing and Settlement Setup on 8 December 2017*)	Provision of support service by PXE; provision of settlement services by ECC AG
1 October 2015	PXE Fee Settlement Agreement (*terminated by Agreement on Changes to the Clearing and Settlement Setup on 8 December 2017*)	Collection of exchange fees for PXE
8 December 2017	Agreement on Changes to the Clearing and Settlement Setup (between ECC AG, ECC Lux, PXE and EnCC*)	Provision of support service by PXE; provision of settlement services by ECC AG

*EnCC means Energy Clearing Counterparty, a.s., with its registered office at Rybná 14/682, 110 05 Praha 1

Relations between ECC Lux and the Controlled Entity were determined by the following agreements:

Date of agreement	Name of agreement	Description of performance
7 March 2013	Agreement on placement of the branch seat in the real property – Luxembourg, as amended by Amendment No. 1 dated 1 July 2013	Bilateral non-disclosure agreement
19 February 2015	Side Letter to the Clearing Services Agreement (between ECC AG, ECC Lux, PXE and EnCC) (*replaced by Agreement on Changes to the Clearing and Settlement Setup on 8 December 2017*)	Provision of support service by PXE
8 December 2017	Agreement on Changes to the Clearing and Settlement Setup (between ECC AG, ECC Lux, PXE and EnCC)	Provision of support service by PXE; provision of settlement services by ECC AG

*EnCC means Energy Clearing Counterparty, a.s., with its registered office at Rybná 14/682, 110 05 Praha 1

Relations between Powernext and the Controlled Entity were determined by the following agreements:

Date of agreement	Name of agreement	Description of performance
28 June 2017	Confidentiality Agreement	Bilateral non-disclosure agreement
22 December 2017	Agreement	Migration of gas products from PXE to Powernext

Relations between CEGH and the Controlled Entity were determined by the following agreements:

Date of agreement	Name of agreement	Description of performance
6 December 2017	Amended and Restated Cooperation Agreement relating to Pegas CEGH Czech Gas Exchange Market	Provision of support services by PXE to PEGAS CEGH Czech Gas Market

Assessment of possible harm to the Controlled Entity

The board of directors of PXE represents that the Controlled Entity did not incur any harm resulting from the above agreements or from acts performed in accordance with Section 82 (2) (d) of BCA.

Assessment of advantages and disadvantages arising from relations within the group of companies

No significant advantages or disadvantages or any potential risks arise from participation in any group. The possibility of sharing the expertise of the group and the group synergies in reducing costs can be considered an advantage.

The report is to be attached to the annual report pursuant to a special legal regulation (Section 84 (2) of BCA). No review of the report by an inspection body is required pursuant to Section 83 (3) of BCA.

Prague, 8 March 2018

....	....
Petr Koblic	David Kučera
Chairman of the Exchange Chamber	General Secretary (holder of procuration)

9. Financial section

9.1 Financial statements

FINANCIAL STATEMENTS

31 DECEMBER 2017

Name of the Business Corporation:	**POWER EXCHANGE CENTRAL EUROPE, a.s.**
Registered office:	**Praha 1, Rybná 682/14**
Legal Status:	**Joint Stock Company**
Identification Number:	**278 65 444**
Date:	**8 March 2018**

Translation note

This version of the accompanying documents 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.

BALANCE SHEET		POWER EXCHANGE CENTRAL EUROPE, a.s. Identification number: 278 65 444			
as at 31.12.2017 (in TCZK)		Rybná 682/14 110 05 Praha 1			
		31. 12. 2017			31. 12. 2016
		Brutto	Correction	Netto	Netto
TOTAL ASSETS	**001**	**55 735**	**-2 566**	**53 169**	**45 215**
B. Fixed assets	**003**	**3 510**	**-2 566**	**944**	**581**
B.I. Intangible fixed assets	**004**	**3 076**	**-2 238**	**838**	**500**
B.I.2 Intellectual property rights	**006**	**3 076**	**-2 238**	**838**	**500**
B.I.2.1. Software	007	3 076	-2 238	838	500
B.II. Tangible fixed assets	**014**	**434**	**-328**	**106**	**81**
B.II.2. Plant and equipment	018	434	-328	106	81
C. Current assets	**037**	**51 789**	**0**	**51 789**	**44 413**
C.II. Receivables	**046**	**4 622**	**0**	**4 622**	**4 945**
C.II.1. Long-term receivables	**047**	**553**	**0**	**553**	**557**
C.II.1.4. Deferred tax asset	051	523	0	523	528
C.II.1.5. Receivables - other	**052**	**30**	**0**	**30**	**29**
C.II.1.5.2. Long-term advances paid	054	30	0	30	29
C.II.2. Short-term receivables	**057**	**4 069**	**0**	**4 069**	**4 388**
C.II.2.1. Trade receivables	058	2 694	0	2 694	3 975
C.II.2.4. Receivables - other	**061**	**1 375**	**0**	**1 375**	**413**
C.II.2.4.1. Receivables from shareholders/members	062	30	0	30	0
C.II.2.4.3. Tax receivables	064	41	0	41	57
C.II.2.4.4. Short term advances paid	065	0	0	0	21
C.II.2.4.5. Estimated receivables	066	1 304	0	1 304	335
C.IV. Cash	**071**	**47 167**	**0**	**47 167**	**39 468**
C.IV.1. Cash in hand	072	18	0	18	64
C.IV.2. Bank accounts	073	47 149	0	47 149	39 404
D. Deferrals	**074**	**436**	**0**	**436**	**221**
D.1. Prepaid expenses	075	436	0	436	221

		31.12.2017	31.12.2016
TOTAL LIABILITIES AND EQUITY	**078**	**53 169**	**45 215**
A. Equity	**079**	**41 204**	**34 214**
A.I. Registered capital	**080**	**30 000**	**30 000**
A.I.1. Registered capital	081	30 000	30 000
A.IV. Retained earnings (+/-)	**095**	**4 215**	**267**
A.IV.1. Retained profits	096	4 215	267
A.V. Profit (loss) for the current period (+/-)	**099**	**6 989**	**3 947**
B.+ C. Liabilities	**101**	**11 944**	**10 976**
B. Provisions	**102**	**2 543**	**2 332**
B.2. Income tax provision	104	570	269
B.4. Other provisions	106	1 973	2 063
C. Liabilities	**107**	**9 401**	**8 644**
C.II. Short-term liabilities	**123**	**9 401**	**8 644**
C.II.4. Trade payables	129	877	1 242
C.II.8. Liabilities - other	**133**	**8 524**	**7 402**
C.II.8.1. Liabilities to shareholders/members	134	0	87
C.II.8.3. Payables to empolyees	136	2 264	1 949
C.II.8.4. Social security and health insurance liabilities	137	844	753
C.II.8.5. Tax liabilities and subsidies	138	743	692
C.II.8.6. Estimated payables	139	4 632	3 881
C.II.8.7. Other payables	140	41	40
D. Accruals	**141**	**21**	**25**
D.1. Accrued expenses	142	3	7
D.2. Deferred revenues	143	18	18

INCOME STATEMENT		**POWER EXCHANGE CENTRAL EUROPE, a.s.** **Identification number: 278 65 444**	
as at year ended 31.12.2017 (in TCZK)		Rybná 682/14 110 05 Praha 1	
		2017	**2016**
I. Revenue from products and services	001	48 400	42 825
A. Cost of sales	003	19 579	20 938
A.2. Materials and consumables	005	529	247
A.3. Services	006	19 050	20 691
D. Personnel expenses	009	15 961	14 200
D.1. Wages and salaries	010	12 474	11 138
D.2. Social security, health insurance and other expenses	011	3 487	3 062
D.2.1 Social security and health insurance expenses	012	3 153	2 773
D.2.2. Other expenses	013	334	289
E. Adjustments relating to operating activities	014	252	82
E.1. Adjustments to intangible and tangible fixed assets	015	252	82
E.1.1. Depreciation and amortisation of intangible and tangible fixed assets	016	252	82
III. Other operating revenues	020	12	10
III.3. Other operating revenues	023	12	10
F. Other operating expenses	024	2 405	1 900
F.3. Taxes and charges	027	27	11
F.4. Provisions relating to operating aktivity and comples prepaid expenses	028	-90	90
F.5. Other operating expenses	029	2 468	1 799
*** Operating profit (loss) (+/-)**	**030**	**10 215**	**5 714**
VI. Interest revenue and similar revenue	039	0	5
VI.1. Interest revenue and similar revenue – group undertakings	040	0	5
VII. Other financial revenues	046	66	475
K. Other financial expenses	047	1 034	687
*** Profit (loss) from financial operations**	**048**	**-968**	**-207**
**** Profit (loss) before tax (+/-)**	**049**	**9 247**	**5 507**
L. Income tax	050	2 258	1 560
L.1. Current tax	051	2 254	1 600
L.2. Dererred tax	052	4	-40
**** Profit (loss) after tax (+/-)**	**053**	**6 989**	**3 947**
***** Profit (loss) for the accounting period (+/-)**	**055**	**6 989**	**3 947**
Net turnover for the accounting period	056	48 478	43 314

STATEMENT OF CHANGES IN EQUITY

POWER EXCHANGE CENTRAL EUROPE, a.s.
Identification number: 278 65 444

as at 31.12.2017
(in TCZK)

Rybná 682/14
110 05 Praha 1

	Registered capital	Funds from profit	Retained profit	Profit (loss) for the current period	Equity Total
Balance at 31/12/2015	**60 000**	**2 386**	**32**	**849**	**63 267**
Reserve fund distribution	0	-2 386	2 386	0	**0**
Dividends paid	0	0	-2 151	-849	**-3 000**
Decrease in registered capital	-30 000	0	0	0	**-30 000**
Profit/loss for the current period	0	0	0	3 947	**3 947**
Balance at 31/12/2016	**30 000**	**0**	**267**	**3 947**	**34 214**
Profit distribution	0	0	3 947	-3 947	**0**
Dividends paid	0	0	0	0	**0**
Profit/loss for the current period	0	0	0	6 989	**6 989**
Balance at 31/12/2017	**30 000**	**0**	**4 215**	**6 989**	**41 204**

1. GENERAL INFORMATION

1.1. Incorporation and description of the business corporation

POWER EXCHANGE CENTRAL EUROPE, a.s. (hereinafter the "Company" or "PXE"), with its registered office at Rybná 682/14, Prague 1, was incorporated by means of a Founding Contract dated 8 January 2007.

Types of commodity exchange transactions:

a) commodities transactions with prompt delivery;
b) term commodities transactions – transactions with commodity derivatives;
c) auxiliary exchange transactions related to exchange-traded commodities (especially insurance contracts, storage contracts, transportation contracts and shipping contracts).

The exchange transactions involve:

a) electric power;
b) gas;
c) indices derived from prices of commodities, except for the commodities which are not allowed for trading by law for reasons of security and state protection or for the purposes of regulation of the commodities market and protection of material reserves.

Registered capital

The registered capital recorded in the Commercial Register as at 31 December 2017 of TCZK 30 000 (2016: TCZK 30 000) comprises 60 registered ordinary shares in book-entry form will a nominal value of TCZK 500. Shares are convertible upon the approval of the board of directors.

<u>Shareholders of the Company:</u>

Burza cenných papírů Praha, a.s. (hereinafter "BCPP")	investment of TCZK 10 000
European Energy Exchange AG (hereinafter „EEX")	investment of TCZK 20 000

Preparation of financial statements

The financial statements have been prepared as at 31 December 2017.

Other events

In January 2016, the shareholders of POWER EXCHANGE CENTRAL EUROPE, a.s. and European Energy Exchange AG signed a contract about plans for their closer cooperation. On 29 April 2016, the general meeting of the Company decided to accept several changes in the articles that had arisen from the contract between the remaining shareholders of PXE and EEX. At the same time, EEX was accepted as a member of PXE.

On 30 May 2016, EEX obtained 66,67 % of shares of PXE from the remaining shareholders of Centrální depozitář cenných papírů, a.s. (33,33 %) and Energy Clearing Counterparty, a.s. (33,33 %). Burza cenných papírů Praha, a.s. remained the owner of a 33,33 % share on the registered capital of PXE.

1.2. Year-on-year changes in the Commercial Register

No changes were recorded in the Commercial Register in 2017.

1.3. Corporate structure

The Company is managed by the Secretary General.

The following departments are directly subordinated to the Secretary General:

- Trading Department,
- Business Development Department,
- Internal Security and Internal Audit Department,
- Services Department.

1.4. Exchange Chamber and the Supervisory Board at 31 December 2017

	Position	Name
Exchange Chamber	Chairman	Petr Koblic
	Member	Bohumil Havel
	Member	Peter Reitz
Supervisory Board	Chairman	Radan Marek
	Member	Steffen Köhler
	Member	Timothy Greenwood

Two members of the Exchange Chamber acting jointly may represent the Company.

2. ACCOUNTING POLICIES

2.1. Basis of preparation of the financial statements

The financial statements have been prepared based on the accounting records kept in compliance with the Act on Accounting and relevant regulations and decrees effective in the Czech Republic.

These financial statements have been prepared in compliance with Decree of the Czech Ministry of Finance No. 500/2002 Coll., implementing certain provision of Act No. 563/1991 Coll. on Accounting, as amended, for business entities using double-entry bookkeeping.

All figures are presented in thousands of Czech crowns (TCZK), unless indicated otherwise.

These financial statements are non-consolidated.

The consolidated financial statements of the narrowest group of entities to which the Company as a consolidated entity belongs are prepared by Burza cenných papírů Praha, a.s., with its registered office at Rybná 14/682, Praha 1. The consolidated financial statements are available at the consolidating entity's registered office. Burza cenných papírů Praha, a.s. consolidates PXE using the equity method.

The consolidated financial statements of the narrowest group of entities to which the Company as a consolidated entity belongs are prepared by European Energy Exchange AG, with its registered office at Augustusplatz 9, 06109 Leipzig, Germany. The consolidated financial statements are available at the consolidating entity's registered office. European Energy Exchange AG consolidates PXE using the full method.

The consolidated financial statements of the widest group of entities to which the Company as a consolidated entity belongs are prepared by Deutsche Börse AG, with its registered office at Mergenthalerallee 61, 65760 Eschborn, Germany. The consolidated financial statements are available at the consolidating entity's registered office.

2.2. Tangible fixed assets

Tangible fixed assets with useful life of more than one year and a unit cost of more than TCZK 30 are treated as tangible fixed assets.

Acquired tangible fixed assets are recorded at cost which includes all costs incurred in bringing the assets to their present location and condition.

Tangible assets with useful life of more than one year and a unit cost below TCZK 30 per unit are not recognized in the balance sheet, but are charged in the profit and loss account upon acquisition and recorded in the operating evidence.

Tangible fixed assets are depreciated applying the straight-line basis over their estimated useful lives as follows:

Assets category	**Accounting depreciation**
Computer equipment	3 years
Non-capitalized tangible assets	2 - 3 years

Establishment of adjustments

If the net book value of the asset exceeds its estimated amount that can be acquired retrospectively, its net book value will be reduced to such amount by an adjustment.

Repair and maintenance costs concerning tangible fixed assets are charged directly to the profit and loss account. Technical improvements of tangible fixed assets are capitalized.

2.3. Intangible fixed assets

All intangible assets with a useful life longer than one year and a unit cost of more than TCZK 40 are treated as intangible fixed assets.

Purchased intangible fixed assets are recorded at cost, which includes all costs incurred in bringing the assets to their present location and condition.

Intangible assets with useful life over 1 year and a unit cost not exceeding TCZK 40 are not reported in the balance sheet, but they are charged to the profit and loss account in the year of acquisition and reported in operating records.

Intangible fixed assets are amortized on a straight-line basis over their estimated useful lives as follows:

Assets category	**Accounting depreciation**
Software	3 years
Incorporation costs	3 years

Establishment of adjustments

If the net book value of the asset exceeds its estimated amount that can be acquired retrospectively, its net book value will be reduced to such amount by an adjustment.

2.4. Cash and cash equivalents

Cash includes cash in hand including tokens of value and financial means in accounts including the overdrawing of a current or overdraft account.

Cash equivalent means short-term liquid investments that can be easily and promptly exchanged for a predictable amount of cash and where no significant changes in the value over time are expected. Cash equivalents also include less than three-month term deposits and liquid securities to be traded on a public market.

2.5. Foreign currency translation

Transactions denominated in a foreign currency are translated and recorded at the rate of exchange of the Czech National Bank at the date of transaction.

Cash, receivables and liabilities denominated in foreign currencies have been translated at the exchange rate published by the Czech National Bank as at the balance sheet date. All exchange gains and losses on cash, receivables and liabilities are recorded in the income statement.

2.6. Receivables

Receivables are stated at the nominal value less an impairment provision for doubtful amounts. A provision for bad debts is created on the basis of an ageing analysis and individual evaluation of the collectability of the receivables.

2.7. Provisions

Provisions are recognized 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.

2.8. Income tax

Income tax for the period comprises current tax and the change in deferred tax. Current tax comprises an estimate of tax payable calculated based on the taxable income, having the tax rate valid as at first day of the accounting period, and any adjustments to taxes for previous periods.

2.9. Deferred tax

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

2.10. 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; and/or
- members of the Exchange Chamber and parties close to such members, including entities in which they have a controlling or significant influence.

Material transactions with related parties are disclosed in Note 3.17.

2.11. Revenue recognition

Revenues are recorded as at the date of rendering the services and are shown net of discounts and without VAT.

2.12. Leasing

The Company used assets purchased through operative leasing. The purchase price of the assets acquired by operative leasing in not capitalized in fixed assets. Leasing instalments are booked into expenses equally for the duration of the leasing.

2.13. Group VAT registration

Effective from 1 January 2009, Burza cenných papírů Praha, a.s., POWER EXCHANGE CENTRAL EUROPE, a.s. and Centrální depozitář cenných papírů, a.s. (hereinafter “CDCP”) created a Value Added Tax group according to Act no. 235/2004. As at 1 January 2011, Energy Clearing Counterparty, a.s. has become a member of the Group. The companies that are part of the Group have the only and joint tax identification number.

As at 1 January 2017, the Group used an advance coefficient of 100% (at 1 January 2016: 100%). The Group applied this coefficient for calculating a proportional VAT deduction on acquired supplies in 2017. In the VAT return for December 2017 a settlement coefficient of 100% was calculated and represents the advance coefficient for 2018.

The VAT return for the Group is filed by its representative member BCPP. Other members of the Group charge their own part of the tax liability or excess deduction of taxes, where appropriate, and they have receivables or payables from BCPP in their accounting books.

2.14. Use of estimates

The preparation of financial statements requires the use of estimates and forecasts that influence reported values of assets and liabilities at the date of financial statements and the reported amount of revenues and expenses for the accounting period. The Company’s management is convinced that the applied estimates and forecasts will not be significantly different from real values in the next accounting periods.

2.15. Subsequent events

The effects of events which occurred between the balance sheet date and the date of preparation of the financial statements are recognized in the financial statements if these events provide further evidence of conditions that existed as at the balance sheet date.

Where significant events which are indicative of conditions that arose subsequent to the balance sheet date, occur subsequent to the balance sheet date but prior to the preparation of the financial statements, the effects of these events are disclosed but are not themselves recognized in the financial statements.

2.16. Changes to accounting methods and procedures

The Company has not changed any of its accounting methods and procedures during 2017 and 2016.

3. ADDITIONAL INFORMATION ON THE BALANCE SHEET AND INCOME STATEMENT

3.1. Fixed assets

3.1.1. Intangible fixed assets

(in TCZK)

Acquisition cost	Incorporation expenses	Software	Total
Balance as at 1/1/2016	**1 120**	**1 986**	**3 106**
Additions	0	545	545
Disposals	-1 120	0	-1 120
Balance as at 31/12/2016	**0**	**2 531**	**2 531**
Additions	0	545	545
Disposals	0	0	0
Balance as at 31/12/2017	**0**	**3 076**	**3 076**

(in TCZK)

Accumulated amortization	Incorporation expenses	Software	Total
Balance as at 1/1/2016	**1 120**	**1 985**	**3 105**
Additions	0	46	46
Disposals	-1 120	0	-1 120
Balance as at 31/12/2016	**0**	**2 031**	**2 031**
Additions	0	207	207
Disposals	0	0	0
Balance as at 31/12/2017	**0**	**2 238**	**2 238**

(in TCZK)

Net book value	Incorporation expenses	Software	Total
Balance as at 1/1/2016	0	1	1
Balance as at 31/12/2016	0	500	500
Balance as at 31/12/2017	0	838	838

Depreciation of intangible fixed assets charged to the profit and loss account amounted to:

(in TCZK)

	Depreciation
2017	207
2016	46

3.1.2. Tangible fixed assets

(in TCZK)

Acquisition cost	Computer equipment	Non-capitalised tangible assets	Total
Balance as at 1/1/2016	**201**	**100**	**301**
Additions	63	0	63
Disposals	0	0	0
Balance as at 31/12/2016	**264**	**100**	**364**
Additions	70	0	70
Disposals	0	0	0
Balance as at 31/12/2017	**334**	**100**	**434**

(in TCZK)

Accumulated depreciation	Computer equipment	Non-capitalised tangible assets	Total
Balance as at 1/1/2016	**147**	**99**	**246**
Additions	35	1	36
Disposals	0	0	0
Balance as at 31/12/2016	**183**	**100**	**283**
Additions	45	0	45
Disposals	0	0	0
Balance as at 31/12/2017	**228**	**100**	**328**

(in TCZK)

Net book value	Computer equipment	Non-capitalised tangible assets	Total
Balance as at 1/1/2016	54	1	55
Balance as at 31/12/2016	31	51	82
Balance as at 31/12/2017	8	98	106

Depreciation of tangible fixed assets charged to the profit and loss account amounted to:

(in TCZK)

	Depreciation
2017	45
2016	36

3.2. Leased assets

The Company has an operating lease for one car and payments for the rent of premises as at 31 December 2017. Total lease payments including operating leases paid in 2017 excluding VAT were TCZK 1 069 (2016: TCZK 1 058).

The Company is committed to contractual payables under operating leases as follows:

(in TCZK)

	As at 31/12/2017	As at 31/12/2016
Due within 1 year	1 367	989
Due in 1 to 5 year	3 428	2 452
Due after 5 years	1 840	1 423
Total	**6 635**	**4 864**

3.3. Short-term financial assets

(in TCZK)

Short-term financial assets	As at 31/12/2017	As at 31/12/2016
Cash, of it:	**18**	**64**
- cash	18	41
- valuables	0	23
Bank accounts	**47 149**	**39 404**
Short-term financial assets total	**47 167**	**39 468**

3.4. Short-term receivables

3.4.1. Trade receivables

(in TCZK)

	As at 31/12/2017	As at 31/12/2016
Short-term		
- trade receivables	2 694	3 975
Trade receivables total	**2 694**	**3 975**

Trade receivables have not been secured.

3.4.2. Ageing analysis of short-term trade receivables

(in TZCK)

Year	Category	Due	Day to due date					Receivables Total
			1 - 90	91 - 180	181 - 365	1 - 2 Years	2 Years >	
2017	Short term	1 189	106	1 399	0	0	0	**2 694**
	Total	**1 189**	**106**	**1 399**	**0**	**0**	**0**	**2 694**
2016	Short term	3 609	366	0	0	0	0	**3 975**
	Total	**3 609**	**366**	**0**	**0**	**0**	**0**	**3 975**

3.4.3. State - Tax receivables

(in TCZK)

	As at 31/12/2017	As at 31/12/2016
VAT	41	29
Withholding tax	0	28
Tax receivables total	**41**	**57**

3.4.4. Receivables from related parties

(in TCZK)

Company name	As at 31/12/2017	As at 31/12/2016
Trade receivables		
Burza cenných papírů Praha, a.s.	1 399	0
European Commodity Clearing AG	1 127	827
Total	**2 526**	**827**

Trade receivables represent fees for support services in connection with the clearing of trading participants and a licence fee included in the contract on cooperation between POWER EXCHANGE CENTRAL EUROPE, a.s. and EEX Power Derivates GmbH.

(in TCZK)

Company name	As at 31/12/2017	As at 31/12/2016
Receivables from shareholders		
Energy Clearing Counterparty, a.s.	30	0
Total	**30**	**0**

The Company reports a receivable for the VAT refund for December 2017. Burza cenných papírů Praha, a.s. is representative member of the VAT group.

(in TCZK)

Company name	As at 31/12/2017	As at 31/12/2016
Estimated receivables		
Burza cenných papírů Praha, a.s.	0	33
EEX Power Derivates GmbH	1 224	0
PEGAS CEGH Gas Exchange Services GmbH	80	0
Total	**1 304**	**33**

The Company reports an estimated receivable related to profit from monthly services connected to trading with commodity derivatives on platform EEX T7.

3.5. Accruals and deferrals

(in TCZK)

Company name	As at 31/12/2017	As at 31/12/2016
Prepaid expenses		
Lease payments BP	23	45
Lease payments BCPP	195	4
IT	66	103
Insurance	34	37
Other	118	32
Total	**436**	**24**

3.6. Equity

3.6.1. Registered capital

Share capital recorded in the Commercial Register amounts to TCZK 30 000 (2016: TCZK 30 000). Share capital comprises 60 registered shares with a nominal value of TCZK 500 each (2016: 60 registered shares with a nominal value of TCZK 500 each).

3.6.2. Distribution of the 2016 profit and planned distribution of profit 2017

The proposal for the distribution and transfer of the 2016 profit was approved by the General meeting on 27 April 2017. A payment of dividends was not agreed and TCZK 3 947 was transferred to retained profits.

The Company plans to disburse the 2017 profit in the amount of TCZK 6 989 as a profit share.

3.7. Provisions

(in TCZK)

	Provision – income tax	**Other provision**
As at 1/1/2017	**269**	**2 063**
Utilization	-269	0
Release	0	-90
Additions	570	0
As at 31/12/2017	**570**	**1 973**

(in TCZK)

	2017	**2016**
Income tax provision	570	269
Other provisions	1 973	2 063
As at 31 December	**2 543**	**2 332**

In accordance with the accounting policy described in note 2.7, the Company did not create any provision in 2017 (2016: TCZK 90). The Company continues to report a provision of TCZK 1 973 to cover costs of implementation associated with trading of Polish and Romanian futures with electricity. A provision of TCZK 90 related to a potential legal dispute that arose in 2016. The Company released this provision in 2017.

3.8. Payables

3.8.1. Trade payables

(in TCZK)

Short-term trade payables and received advances	Balance at 31/12/2017	Balance at 31/12/2016
Short-term		
- suppliers	877	1 242
Total short-term payables	**877**	**1 242**

These liabilities are not overdue.

3.8.2. Social security and health insurance liabilities

As at 31 December 2017 the Company reports social security and health insurance liabilities of TCZK 844 (2016: CZK 753). None of these liabilities are overdue.

3.8.3. State - Tax liabilities and subsidies

Tax liabilities as at 31 December 2017 were TCZK 743, they consist of income tax on wages (prepaid and withheld) for December 2017 of TCZK 743 (2016: TCZK 692).

These liabilities are not overdue.

3.8.4. Estimated payables

Estimated payables amount to TCZK 4 632 (2016: TCZK 3 881) and primarily include estimates for annual employee bonuses totalling TCZK 3 339 (2016: TCZK 2 979), including social security and health insurance estimates.

3.8.5. Liabilities – related parties

(in TCZK)

Company name	Balance at 31/12/2017	Balance at 31/12/2016
Short-term trade payables		
Burza cenných papírů Praha, a.s.	16	5
Centrální depozitář cenných papírů, a.s.	3	2
Energy Clearing Counterparty, a.s.	44	51
Total	**63**	**58**

(in TCZK)

Company name	Balance at 31/12/2017	Balance at 31/12/2016
Liabilities to shareholders/owners and alliance partners		
Burza cenných papírů Praha, a.s.	0	87
Total		**87**

The Company has no liabilities towards its shareholders/members.

(in TCZK)

Company name	Balance at 31/12/2017	Balance at 31/12/2016
Estimated payables		
Burza cenných papírů Praha, a.s.	3	3
Total	**3**	**3**

3.9. Accruals and deferrals

(in TCZK)

Company name	Balance at 31/12/2017	Balance at 31/12/2016
Accrued expenses	**3**	**7**
Others	3	7
Accrued revenues	**18**	**18**
Others	18	18
Total accruals	**21**	**25**

3.10. Deferred tax

(in TCZK)

Deferred tax title	Balance at 31/12/2017	Balance at 31/12/2016
Difference between the tax and net book value of fixed assets	-2	0
Provisions	375	392
Social and health insurance	150	136
Deferred tax asset (+) / liability (-)	523	528
Revenue (+) / Expense (-) from deferred asset change	**-4**	**40**

As at 31 December 2017, deferred tax was calculated using a tax rate of 19% (for 2018 onwards), depending on the period, in which the compensation of temporary differences is expected.

As at 31 December 2017 deferred tax was calculated using a tax rate of 19%.

3.11. Income tax on ordinary activities

(in TCZK)

	Balance at 31/12/2017	Balance at 31/12/2016
Profit before tax	9 247	5 507
Theoretical income tax using the domestic tax rate of 19% (2016: 19%)	1 757	1 046
Tax impact of tax non-deductible expenses	506	556
Tax impact of tax non-deductible revenues	-5	-2
Prior years' tax refund	-4	0
Current tax	**2 254**	**1 600**
Deferred tax change	4	-40
Total income tax on ordinary activities	**2 258**	**1 560**
Income tax advance paid (incl. withholding tax)	1 688	1 330
Income tax provision	570	269

3.12. Revenue analysis

(in TCZK)

	2017		
	Domestic	**Foreign**	**Total**
Commodity exchange fee	**8 589**	**30 112**	**38 701**
Trading fees - electricity	**6 594**	**25 891**	**32 485**
fee – fixed annual	0	10 047	10 047
fee – variable monthly	0	9 782	9 782
participation fee	2 984	2 558	5 542
trading fees – financial futures	1 622	748	2 370
trading fees – power futures	7	135	142
communication connection fees	1 981	2 621	4 602
Trading fees - gas	**1 995**	**4 221**	**6 216**
fee – variable monthly	0	80	80
participation fee	483	0	483
trading fees	542	239	781
communication connection fee	970	3 902	4 872
ECC transaction settlement	**2 330**	**3 606**	**5 936**
Fee for auctions for end customers	**3 387**	**0**	**3 387**
Commodity exchange information	**83**	**278**	**361**
Other	**15**	**0**	**15**
Total revenue from the sale of services	**14 404**	**33 996**	**48 400**

(in TCZK)

	2016		
	Domestic	**Foreign**	**Total**
Commodity exchange fee	**16 203**	**17 111**	**33 314**
Trading fees - electricity	**14 760**	**14 360**	**29 120**
participation fee	6 095	5 665	11 760
trading fees – financial futures	4 694	2 893	7 587
trading fees – power futures	140	214	354
communication connection fees	3 831	5 588	9 419
Trading fees - gas	**1 443**	**2 751**	**4 194**
participation fee	303	0	303
trading fees	399	292	691
communication connection fee	741	2 459	3 200
ECC transaction settlement	**0**	**5 606**	**5 606**
Fee for auctions for end customers	**3 127**	**0**	**3 127**
Commodity exchange information	**0**	**746**	**746**
Other	**0**	**32**	**32**
Total revenue from the sale of services	**19 330**	**23 495**	**42 825**

The total amount of fees for trading with gas, which the Company is obliged to monitor based on a contract with Central European Gas Hub AG amounted to TCZK 6 216 in 2017 (2016: TCZK 4 194).

On 15 June 2017, trading with commodity futures was moved to the EEX T7 platform and on 8 December 2017, trading with gas spot was moved to the Powernext platform. The change in trading platforms is partly connected to a change in the structure of fees stated in the table above.

3.13. Cost of services

(in TCZK)

	2017	2016
Repair and maintenance	16	4
Travel expenses	600	497
Representation cost	416	382
Rent and services	1 065	698
Operating leasing - cars	653	563
Advisory and legal services	1 242	2 433
Audit	215	240
Promotion	1 298	888
Servicing	5 935	7 002
Training, workshops, conferences	183	104
IT services from settlement fees	154	162
IT services from transaction fees and supporting services	4 090	4 090
Other services	3 183	3 628
Total	**19 050**	**20 691**

3.14. Other operating expenses

(in TCZK)

	2017	2016
Gifts	25	0
Insurance	107	121
Fee for the operation of the OTE clearing system upon the registration of gas supplies	180	180
Spent expenses settlement EnCC – loan interests	93	221
Membership fees to associations	540	541
Other operating expenses	1 523	736
Total other operating expenses	**2 468**	**1 799**

3.15. Financial revenues

(in TCZK)

	2017	2016
Interest revenues:	**0**	**5**
- loans to related parties	0	5
Foreign exchange revenues	**66**	**475**
Total financial revenues	**66**	**480**

3.16. Financial expenses

(in TCZK)

	2017	2016
Banking charges:	**75**	**77**
- other banking charges	73	77
- other financial costs	2	0
Foreign exchange expenses	**959**	**610**
Total financial expenses	**1 034**	**687**

3.17. Related party transactions

All significant transactions are carried out at arm's length.

Effective from 1 January 2015, the Company has been applying a Transfer price documentation to related party transactions. The Transfer price documentation comprises the manner of determining financially justifiable valuation of the so-called support services. In accordance with this documentation, a Contract for providing support services between related parties was signed.

3.17.1. Revenues from related parties

2017 (in TCZK)

Entity	Relation to the Company	Revenue from own services	Financial revenues	Total
Burza cenných papírů Praha, a.s.	member of BCP Group	0	6	6
Energy Clearing Counterparty, a.s.	member of BCPP Group	0	2	2
EEX Power Derivates GmbH	member of EEX Group	19 829	18	19 847
PEGAS CEGH Gas Exchange Services GmbH	member of EEX Group	80	0	80
European Commodity Clearing, AG	member of EEX Group	5 936	6	5 942
Wiener Börse AG	member of CEESEG Group	279	0	279
Total		**26 124**	**32**	**26 156**

2016 (in TCZK)

Entity	Relation to the Company	Revenue from own services	Financial revenues	Total
Energy Clearing Counterparty, a.s.	member of BCPP Group	0	5	5
European Commodity Clearing, AG	Member of EEX Group	5 606	0	5 606
Wiener Börse AG	member of CEESEG Group	605	0	605
Total		**6 211**	**5**	**6 216**

Financial revenues are represented by foreign exchange revenues.

Revenues from EEX Power Derivates GmbH comprise as follows:

- fixed fees of TCZK 10 047 and variable fees of TCZK 9 782 which are included in the contract on cooperation and related to the change of trading with commodity futures to the EEX T7platform, valid from 15 June 2017.

Revenues from PEGAS CEGH Gas Exchange Services GmbH comprise as follows:

- variable fees of TCZK 80 which are included in the contract on cooperation and related to the change of trading with gas spot to the Powernext platform.

Revenues from European Commodity Clearing AG comprise as follows:

- revenue from stock exchange fees of TCZK 5 606 (2016: TCZK 5 606)

Revenues from Wiener Börse AG comprise as follows:

- revenues from stock exchange information sold of TCZK 279 (2016: TCZK 605)

3.17.2. Expenses from related parties

2017 (in TCZK)

Entity	Relation to the Company	Services	Operating expenses	Financial expenses	Total
Burza cenných papírů Praha, a.s.	shareholder – member of BCPP Group	4 696	6	1	**4 703**
Centrální depozitář cenných papírů, a.s.	shareholder – member of BCPP Group	45	0	0	**45**
Energy Clearing Counterparty, a.s.	member of BCPP Group	547	93	0	**640**
European Commodity Clearing, AG	member of EEX Group	154	0	0	**154**
Total		**5 442**	**99**	**1**	**5 542**

2016 (in TCZK)

Entity	Relation to the Company	Services	Other expenses	Financial expenses	Total
Burza cenných papírů Praha, a.s.	shareholder – member of BCPP Group	4 759	6	1	4 766
Centrální depozitář cenných papírů, a.s.	shareholder – member of BCPP Group	46	0	0	46
Energy Clearing Counterparty, a.s.	member of BCPP Group	622	221	6	849
European Energy Exchange. AG	member of EEX Group	16	0	0	16
European Commodity Clearing, AG	member of EEX Group	162	0	0	162
Wiener Börse AG	member of CEESEG Group	0	0	0	0
Total		**5 605**	**227**	**7**	**5 839**

Financial expenses represent foreign exchange expenses.

Expenses incurred in relation to transactions with Burza cenných papírů Praha, a.s. comprise as follows:

- support services of TCZK 4 090 (2016: TCZK 4 090)
- lease of non-residential premises including lease-related services and lease of phone lines of TCZK 613 (2016: TCZK 675)

Expenses incurred in relation to transactions with Centrální depozitář cenných papírů, a.s. comprise as follows:

- administration of issue records and LEI management of TCZK 45 (2016: TCZK 46)

Expenses incurred in relation to transactions with Energy Clearing Counterparty, a.s. comprise as follows:

- central counterparty services of TCZK 547 (2016: TCZK 622)
- payment of justified expenses of TCZK 93 (2016: TCZK 221)

Expenses incurred in relation to transactions with European Commodity Exchange, AG are not reported (2016: CZK 16).

Expenses incurred in relation to transactions with European Commodity Clearing, AG are as follows:

- fees for trading clearing of TCZK 154 (2016: CZK 162)

4. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES

4.1. Staff costs and number of employees (without benefits to members of the Company's bodies)

2017	Average recalculated headcount	Total staff cost
Employees	9	15 107
Total	**9**	**15 107**

2016	Average recalculated headcount	Total staff cost
Employees	7	13 239
Total	**7**	**13 239**

Personnel expenses relating to employees and executives do not include performance provided to members of the Company's bodies, contributions to employees' pension and life assurance schemes and other social benefits.

In accordance with employee benefit policies, the Company contributes to employees' pension and life assurance schemes and provides other social benefits totalling TCZK 334 (2016: TCZK 289).

4.2. Loans, credits and other benefits provided

In 2017 and 2016, total personnel expenses and other benefits provided to members of statutory bodies amounted to:

2017	Exchange chamber	Total
Remuneration of the statutory bodies members	520	520
Total	**520**	**520**

2016	Exchange chamber	Total
Remuneration of the statutory bodies members	672	672
Total	**672**	**672**

Values correspond to internal background materials and rules of the Company.

5. CONTINGENT LIABILITIES

The management of the Company is not aware of any significant unrecorded contingent liabilities as at 31 December 2017 and 31 December 2016.

6. SUBSEQUENT EVENTS

Company's management is not aware of any events that have occurred since the balance sheet date.

Prague, 8 March 2018

Petr Koblic
Chairman of the Exchange Chamber

David Kučera
General Secretary (holder of procuration)

10. Auditor's report on the financial statements and annual report

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This document is an English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

Independent Auditor's Report to the Shareholders of POWER EXCHANGE CENTRAL EUROPE, a.s.

Opinion

We have audited the accompanying financial statements of POWER EXCHANGE CENTRAL EUROPE, a.s. ("the Company"), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2017, and the income statement and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance for the year then ended in accordance with Czech accounting legislation.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs) as amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the annual report other than the financial statements and our auditor's report. The statutory body is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially

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VAT No. CZ699001996
ID data box: 8h3gtra

inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with those requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- the other information describing matters that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- the other information has been prepared in accordance with applicable laws and regulations.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the Statutory Body and Supervisory Board for the Financial Statements

The statutory body is responsible for the preparation and fair presentation of the financial statements in accordance with Czech accounting legislation and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the statutory body is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for the oversight of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statutory Auditor Responsible for the Engagement

Vladimír Dvořáček is the statutory auditor responsible for the audit of the financial statements of POWER EXCHANGE CENTRAL EUROPE, a.s. as at 31 December 2017, based on which this independent auditor's report has been prepared.

Prague
8 March 2018

KPMG Česká republika Audit

KPMG Česká republika Audit, s.r.o.
Registration number 71

Vladimír Dvořáček
Partner
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11. Contact information

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