part of eex group

pxe

Annual Report 2018

POWER EXCHANGE CENTRAL EUROPE, a.s.

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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 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 also organises trading in gas in the form of derivative products delivered to a virtual trading point in the Czech market. The trading is realised in the PEGAS CEGH Czech Market of Powernext co-operated by PXE.

Trading in the above-mentioned derivative products is realised under the licence and within the trading system of EEX and Powernext; in fact, however, the relevant market segments in which these products are offered are administered and serviced by PXE[1]. Thanks to this setting, all participants trading in the EEX and Powernext exchanges can trade PXE products without having to enter another exchange and unnecessarily incur related expenses. As compensation for using the licences of the above-mentioned exchanges, PXE distributes a portion of the revenues generated from trading in the products administered by PXE to these exchanges.

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 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) and Energy Clearing Counterparty a.s. (EnCC). 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.

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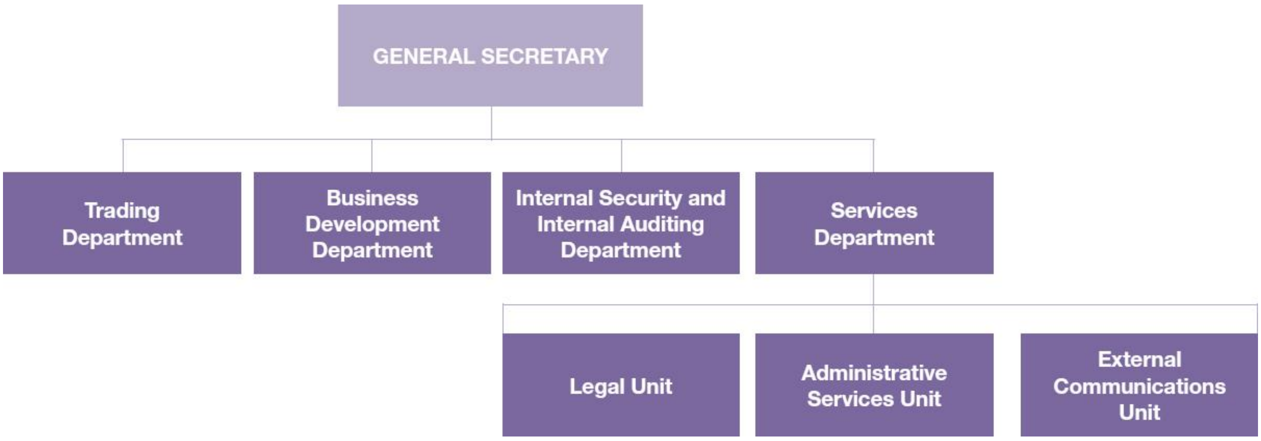
[1] To reflect this fact, the volume of trades with these derivative contracts is included in the trading volumes presented in this annual report. These products are identified in the annual report by their original names, which include the "PXE" abbreviation.

2. Organisational structure



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

3.1 Introduction

Dear Madams, dear Sirs,

In 2018, POWER EXCHANGE CENTRAL EUROPE, a.s. (“PXE”) managed to achieve record trading volumes as well as record financial performance. It was the best financial year in the Company’s 12-year history. PXE continued to report record results for the second time in a row.

The volume of trades in power derivatives achieved TWh 102 and the volume of trades in gas products exceeded TWh 7, which is a year-on-year increase in terms of power derivatives by more than 100% and in terms of gas products by more than 77%. Considering the increase in the volume of trades by more than 50% in 2017, PXE has been going through the most dynamic period of development since its establishment.

These excellent results were achieved through close cooperation with both shareholders, primarily with the main shareholder, European Energy Exchange AG (“EEX”). In 2017, PXE transferred the trading in its products to the T7 trading system operated by EEX and from the legal perspective, trading is now covered by the EEX regulated market licence. In 2018, we extended the offer of traded contracts in the short-term product segment and in cooperation with EEX spread the knowledge of PXE’s products among trading participants. PXE remains in charge of trading in Eastern European products and servicing clients in the territory and keeps striving to acquire new trading participants. Thanks to using a single EEX regulated market licence, PXE has been offering its trading participants a platform in which it is possible to realise transactions with derivatives for energy commodities all over Europe. As part of the EEX group, PXE has become a part of the globally largest exchange trading in power derivatives and physical electricity.

In 2018, PXE also continued offering services to end customers. This product line is determined for cities, municipalities, state authorities as well as commercial entities. In terms of these products, PXE also reported record results with a total volume of trades of TWh 1.8 in 2018. Our market share in power trades exceeded 30%.

In 2019, PXE expects set trends to continue, and we hope to further improve our very good results. We will concentrate on the further extension of our product portfolio as well as on acquiring new trading participants. We would like to thank you for your interest in PXE’s activities and are looking forward to the next phases of the development of the European energy market.

David Kučera
General Secretary of PXE

3.2 Key data

	2018	2017
Number of exchange days	**253**	**254**
Power Futures		
Trading volume (MWh)	**102 213 121**	**48 112 260**
base load	100 355 017	47 525 772
peak load	1 858 104	586 488
Trading volume (MEUR)	**5 397**	**2 005**
base load	5 278	1 971
peak load	119	34
Number of contracts (MW)	**48 002**	**13 533**
base load	46 445	13 136
peak load	1 557	397
Number of trades	**7 286**	**2 073**
base load	7 181	2 036
peak load	105	37
Gas Futures		
Trading volume (MWh)	**4 209 813**	**2 736 787**
base load	4 209 813	2 736 787
peak load	0	0
Trading volume (MEUR)	**92**	**49**
base load	92	49
peak load	0	0
Number of contracts (MW)	**1 851**	**1 520**
base load	1 851	1 520
peak load	0	0
Number of trades	**388**	**221**
base load	388	221
peak load	0	0
Gas Spot		
Trading volume (MWh)	**3 483 320**	**1 604 244**
base load	3 483 320	1 604 244
peak load	0	0
Trading volume (MEUR)	**85**	**30**
base load	85	30
peak load	0	0
Number of contracts (MW)	**123 531**	**58 669**
base load	123 531	58 669
peak load	0	0
Number of trades	**2 500**	**1 525**
base load	2 500	1 525
peak load	0	0

3.3 Financial performance

In 2018, POWER EXCHANGE CENTRAL EUROPE, a.s. (PXE) generated revenues from own services of TCZK 59 383 (2017: TCZK 48 400). The structure of revenues was as follows:

(TCZK)	2018	2017
Energy trading fees and related services	25 748	22 438
Gas trading fees and related services	1 397	6 216
Annual fixed fee to EEX	18 214	10 047
ECC transaction settlement	8 729	5 936
Auction fee charged to end participants	5 269	3 387
Other services	26	376
Revenue from own services	**59 383**	**48 400**

The Company increased its revenues from its own services by a total of TCZK 10 983, i.e. 22.7% year-on-year. The revenue growth was mainly due to higher trading volumes in the market of power futures, and related fees. The decrease in revenues from trading in gas and related services is connected with a change in the structure of fees.

In the current period of 2018, the Company recognised a profit after tax of TCZK 17 719 (2017: TCZK 6 989), which is TCZK 10 730 more than in the previous period and an increase of 153.3%.

Total assets of the Company as at 31 December 2018 amounted to TCZK 65 748 (2017: TCZK 53 169). The structure of assets is as follows:

(TCZK)	2018	2017
Fixed assets (net)	496	944
Receivables and other current assets (net)	6 387	5 058
Short-term financial assets (net)	58 865	47 167
Total assets	**65 748**	**53 169**

In the current period of 2018, the general meeting of the Company held on 26 April 2018 decided on a share in profit of TCZK 6 900 to be paid out and on a transfer of the remaining portion to retained earnings.

The average FTE number of employees was 9.8 in 2018 (2017: 7.9). The Company complies with all applicable labour laws and regulations.

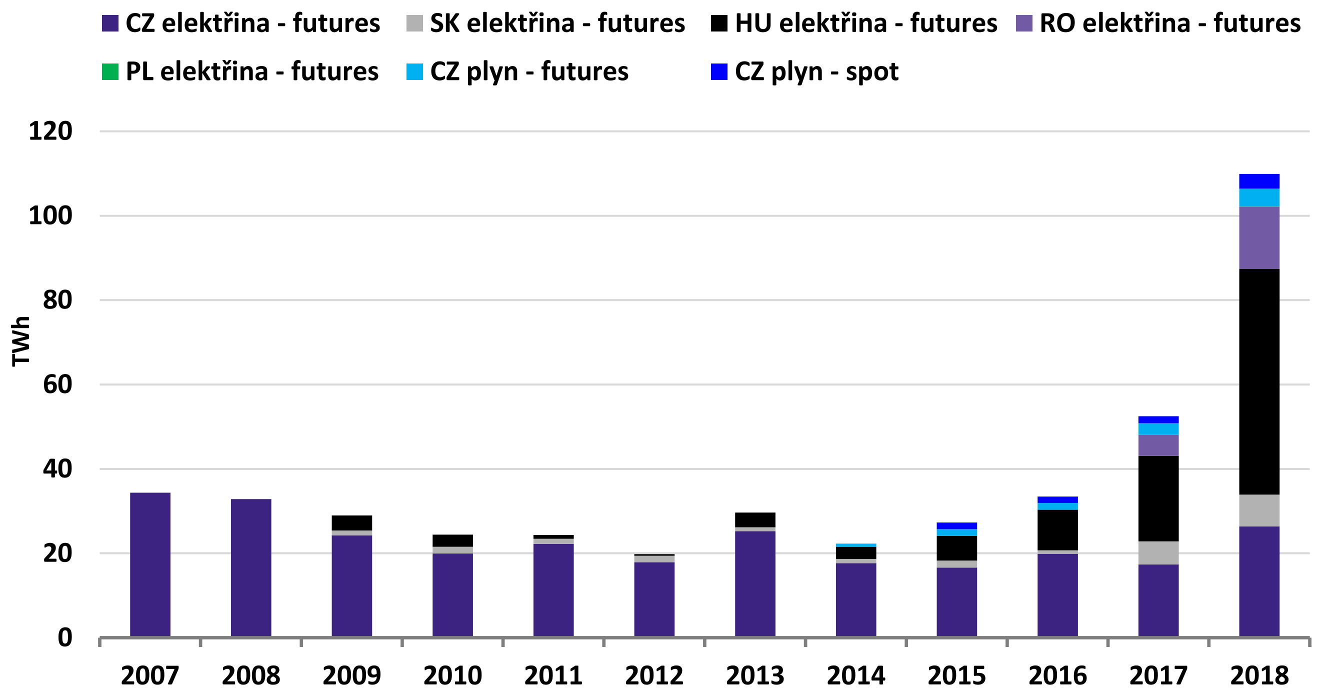
The Company does not conduct any research and development activity. All necessary services in this area are provided under an agreement on the provision of support services between related parties. As the Company’s activity is inherently environmentally friendly, no special activities are conducted in this area.

4. Activities in 2018

4.1 Trading

In 2018, TWh 102.21 of electricity and TWh 7.69 of gas was traded on PXE. In both cases, these are the best results achieved over the existence of PXE.

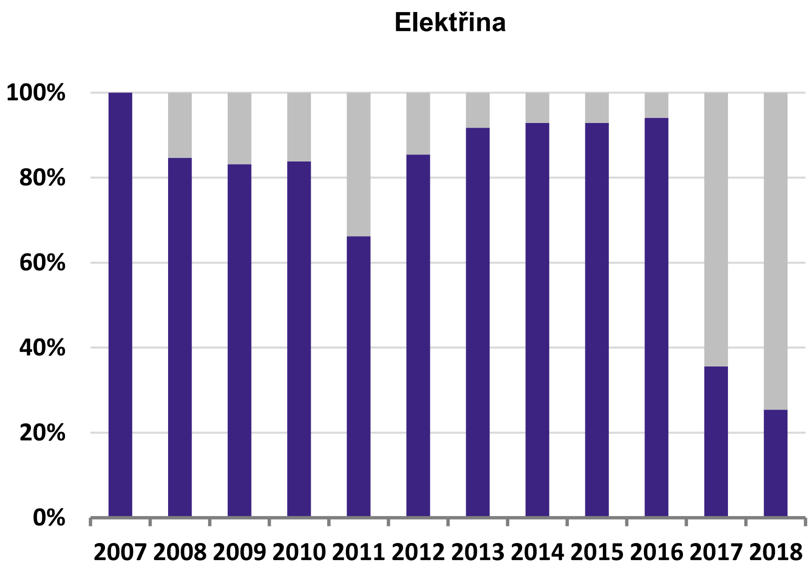
Annual trading volumes on individual markets:

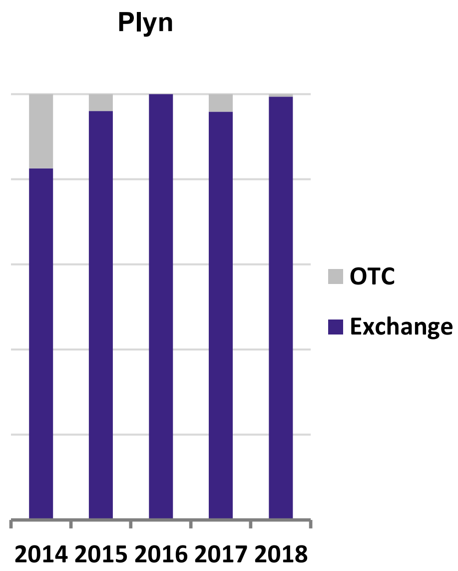


Since the migration of power futures to the EEX T7 platform on 15 June 2017, we have witnessed a rapid increase in trading volumes primarily on the Hungarian, Slovak and Romanian markets. In 2018, a record volume of TWh 53.41 was traded on the Hungarian market, TWh 14.85 on the Romanian market, and TWh 7.53 on the Slovak market. Due to the lack of bilateral agreements between participants, the increase in volumes corresponds to an increase in the share of OTC registered trades.

On 8 December 2017, the migration of the CEGH Czech Gas Market to the PEGAS platform took place (the establishment of PEGAS CEGH Czech Market). In 2018, we saw the expected increase in liquidity, while a record volume of TWh 3.48 was traded in the spot market and TWh 4.21 in the futures market.

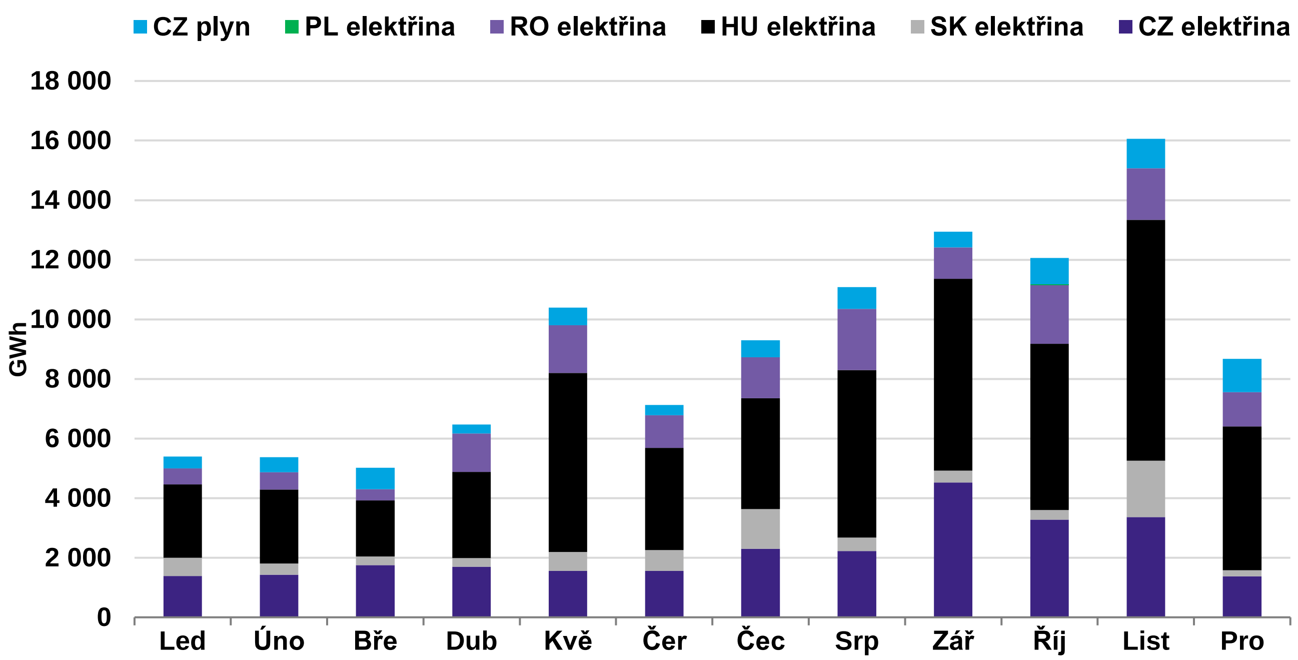
Share of OTC registered trades in total trading volumes:





In 2018, not only annual but also monthly record trading volumes were achieved in the market where Hungarian (TWh 8.09), Romanian (TWh 2.06) and Slovak (TWh 1.89) futures with a financial settlement are traded; further monthly record trading volumes were achieved in the gas market (TWh 1.12). We would also like to mention the first trade concluded in the Polish market in October 2018 after four years (a volume of GWh 17.52).

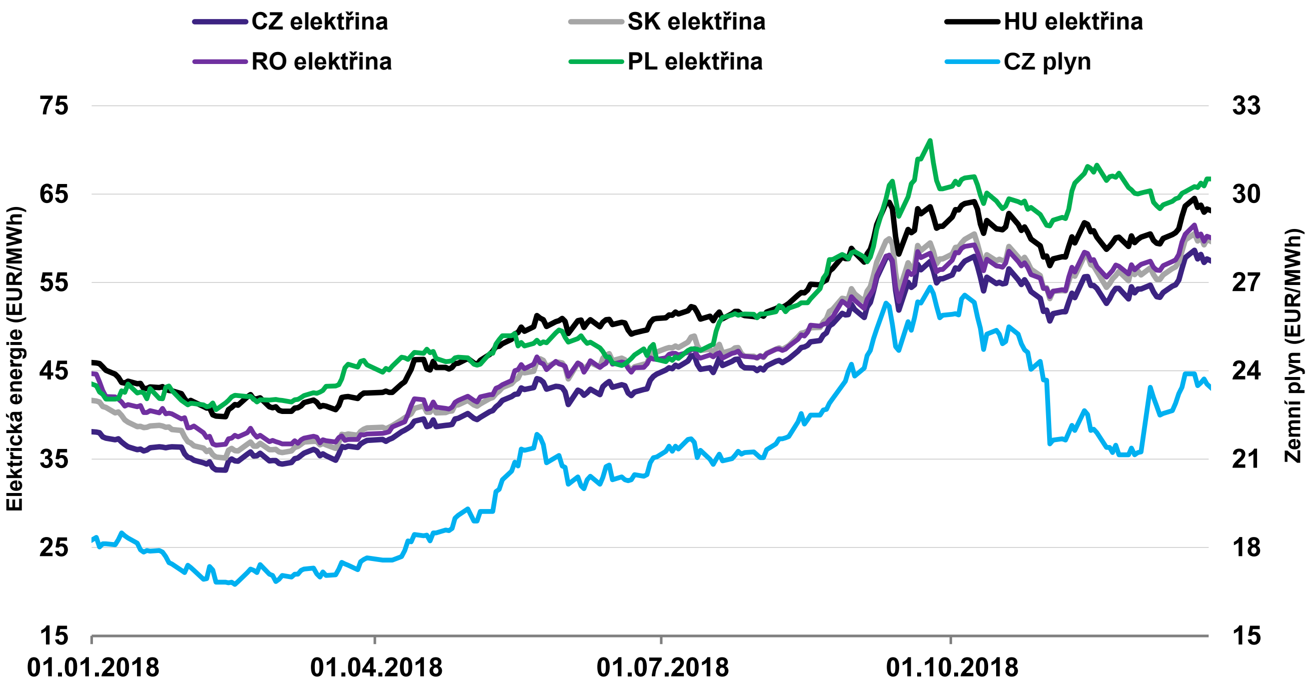
Monthly trading volumes on individual markets in 2018:



On 12 November 2018, the portfolio of offered products was extended by Czech and Hungarian daily and weekend contracts and by Romanian weekly contracts with a financial settlement. We thus satisfied the participants' demand and extended the portfolio of the short-term contracts offered before on the Czech and Hungarian markets.

In 2018, the narrowing of the bid-offer spreads on the Czech, Slovak and Hungarian markets and the subsequent increase in liquidity were caused among others by the trading in local spreads which were launched in the market in September 2017. Czech/German spreads with a volume of TWh 1.46, Hungarian/German spreads with a volume of TWh 1.29, Czech/Slovak spreads with a volume of TWh 1.37, and Hungarian/Slovak spreads with a volume of GWh 94 were traded in 2018. A Hungarian/Romanian spread was listed in the exchange in 2018 as well.

Prices of base load annual delivery in 2018:



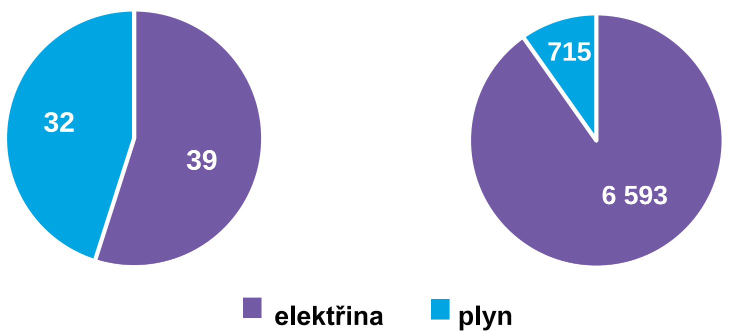
The growing trend for power prices that started in 2016 continued in 2018 as a result of the continued growth of coal prices and emission right prices. In the course of 2018, power prices grew approximately by 45%. The price of Czech electricity base loads with annual delivery in 2019 was at its annual minimum of EUR/MWh 33.75 on 12 February 2018, and grew to EUR/MWh 58.65 on 17 December 2018.

We also saw an increase in gas prices by approx. 25% in 2018. This increase followed the development in the oil and coal prices. In spring 2018, the increase in prices was even accelerated by using up a significant portion of the storage capacities during the heating season. On 15 February 2018, the price dropped to its annual minimum of EUR/MWh 16.75. The annual maximum of EUR/MWh 26.85 was achieved on 24 September 2018.

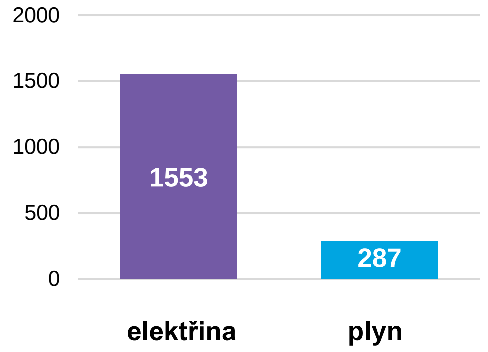
4.2 Electricity and natural gas auctions for end consumers (PXE auctions)

In 2018, a total of 39 electricity auctions and 32 natural gas auctions for end customers were successfully organised on the PXE in 40 exchange days. A total of 1 553 380 MWh of electricity and 287 461 MWh of natural gas was traded, accounting for 6 593 electricity withdrawal points and 715 gas withdrawal points. Customers purchased the two commodities primarily for 2019, but a significant portion of transactions related to 2020 and 2021 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 2018, the major customer, with a total volume of MWh 1 310 128 achieved in a power auction, was Správa železniční dopravní cesty (Railway Infrastructure Administration), making use of an option of gradual purchases to ensure the delivery of power until the end of 2019. 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.

One new supplier entered the end consumer market in 2018, increasing the number of renowned suppliers to 14. 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 2019. We are also planning to put into operation an extended version of the PARC application to enable an easy and fast communication between the entities trading in the exchange, e.g. records of contractual documentation, reporting of self-performed reading, monitoring of the prices of products in the wholesale market and delivery price fixation, including confirmations made directly in the application.

5. List of exchange members

Exchange members as at 31 December 2018:

- 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 2018:

- 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 2018 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 2018 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 2018.

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 2018 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 26 April 2018 decided, inter alia, to approve the 2017 statutory financial statements of the Controlled Entity and the proposal to payoff profit share for 2017 of TCZK 6 900. No other acts pursuant to Section 82 (2) (d) of BCA were performed in the 2018 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
15 June 2017	Cooperation Agreement 2017 (*concluded as a trilateral agreement between PXE, EEX and EPD*)	Subsequent provisions of support services by PXE to EEX market
23 March 2018	Data Processing Agreement according to Section 11 of the BDSG	Processing of personal data in the context of Cooperation Agreement 2017

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*)	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
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
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
5 March 2018	Agreement on Assumption of Liability	PXE commitment to indemnify ECC AG and ECC Lux in context of retention the current method of nominations of gas products

*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
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
5 March 2018	Agreement on Assumption of Liability	PXE commitment to indemnify ECC AG and ECC Lux in context of retention the current method of nominations of gas products

*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
25 June 2018	Data Processing Agreement	Processing of personal data in the context of Amended and Restated Cooperation Agreement relating to Pegas CEGH Czech Gas Exchange Market

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
30 October 2018	Data Processing Agreement	Processing of personal data in the context of Amended and Restated Cooperation Agreement relating to Pegas CEGH Czech Gas Exchange 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, 1 March 2019

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Petr Koblic
Chairman of the Exchange Chamber

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David Kučera
General Secretary (holder of procuration)

9. Financial section

9.1 Financial statements

FINANCIAL STATEMENTS

31 DECEMBER 2018

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:	**1 March 2019**

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 31.12.2018 (in TCZK)	Rybná 682/14 110 05 Praha 1

		31.12.2018			31.12.2017
		Brutto	Correction	Netto	Netto
TOTAL ASSETS	**001**	**68 824**	**-3 076**	**65 748**	**53 169**
B. Fixed assets	**003**	**3 572**	**-3 076**	**496**	**944**
B.I. Intangible fixed assets	**004**	**3 076**	**-2 717**	**359**	**838**
B.I.2 Intellectual property rights	**006**	**3 076**	**-2 717**	**359**	**838**
B.I.2.1. Software	007	3 076	-2 717	359	838
B.II. Tangible fixed assets	**014**	**496**	**-359**	**137**	**106**
B.II.2. Plant and equipment	018	496	-359	137	106
C. Current assets	**037**	**64 596**	**0**	**64 596**	**51 789**
C.II. Receivables	**046**	**5 731**	**0**	**5 731**	**4 622**
C.II.1. Long-term receivables	**047**	**30**	**0**	**30**	**553**
C.II.1.4. Deferred tax asset	051	0	0	0	523
C.II.1.5. Receivables - other	**052**	**30**	**0**	**30**	**30**
C.II.1.5.2. Long-term advances paid	054	**30**	**0**	**30**	30
C.II.2. Short-term receivables	**057**	**5 701**	**0**	**5 701**	**4 069**
C.II.2.1. Trade receivables	058	2 169	0	2 169	2 694
C.II.2.4. Receivables - other	**061**	**3 532**	**0**	**3 532**	**1 375**
C.II.2.4.1. Receivables from shareholders/members	062	0	0	0	30
C.II.2.4.3. Tax receivables	064	335	0	335	41
C.II.2.4.5. Estimated receivables	066	3 197	0	3 197	1 304
C.IV. Cash	**075**	**58 865**	**0**	**58 865**	**47 167**
C.IV.1. Cash in hand	076	15	0	15	18
C.IV.2. Bank accounts	077	58 850	0	58 850	47 149
D. Deferrals	**078**	**656**	**0**	**656**	**436**
D.1. Prepaid expenses	079	656	0	656	436

		31.12.2018	31.12.2017
TOTAL LIABILITIES AND EQUITY	**082**	**65 748**	**53 169**
A. Equity	**083**	**52 024**	**41 204**
A.I. Registered capital	**084**	**30 000**	**30 000**
A.I.1. Registered capital	085	30 000	30 000
A.IV. Retained earnings (+/-)	**099**	**4 305**	**4 215**
A.IV.1. Retained profits	100	4 305	4 215
A.V. Profit (loss) for the current period (+/-)	**102**	**17 719**	**6 989**
B.+ C. Liabilities	**104**	**13 652**	**11 944**
B. Provisions	**105**	**2 317**	**2 543**
B.2. Income tax provision	107	2 317	570
B.4. Other provisions	109	0	1 973
C. Liabilities	**110**	**11 335**	**9 401**
C.II. Short-term liabilities	**126**	**11 335**	**9 401**
C.II.4. Trade payables	132	2 159	877
C.II.8. Liabilities - other	**136**	**9 176**	**8 524**
C.II.8.3. Payables to employees	139	5 321	2 264
C.II.8.4. Social security and health insurance liabilities	140	1 832	844
C.II.8.5. Tax liabilities and subsidies	141	1 756	743
C.II.8.6. Estimated payables	142	226	4 632
C.II.8.7. Other payables	143	41	41
D. Accruals	**147**	**72**	**21**
D.1. Accrued expenses	148	54	3
D.2. Deferred revenues	149	18	18

INCOME STATEMENT		POWER EXCHANGE CENTRAL EUROPE, a.s. Identification number: 278 65 444	
as at year ended 31.12.2018 (in TCZK)		Rybná 682/14 110 05 Praha 1	
		2018	**2017**
I. Revenue from products and services	001	59 383	48 400
A. Cost of sales	003	18 452	19 579
A.2. Materials and consumables	005	383	529
A.3. Services	006	18 069	19 050
D. Personnel expenses	009	19 721	15 961
D.1. Wages and salaries	010	15 505	12 474
D.2. Social security, health insurance and other expenses	011	4 216	3 487
D.2.1 Social security and health insurance expenses	012	3 546	3 153
D.2.2. Other expenses	013	670	334
E. Adjustments relating to operating activities	014	549	252
E.1. Adjustments to intangible and tangible fixed assets	015	549	252
E.1.1. Depreciation and amortization of intangible and tangible fixed assets	016	549	252
III. Other operating revenues	020	195	12
III.3. Other operating revenues	023	195	12
F. Other operating expenses	024	-1 487	2 405
F.3. Taxes and charges	027	16	27
F.4. Provisions relating to operating activity and complex prepaid expenses	028	-1 973	-90
F.5. Other operating expenses	029	470	2 468
*** Operating profit (loss) (+/-)**	**030**	**22 343**	**10 215**
VI. Interest revenue and similar revenue	039	30	0
VI.1. Interest revenue and similar revenue – group undertakings	040	30	0
VII. Other financial revenues	046	437	66
K. Other financial expenses	047	363	1 034
*** Profit (loss) from financial operations**	**048**	**104**	**-968**
**** Profit (loss) before tax (+/-)**	**049**	**22 447**	**9 247**
L. Income tax	050	4 728	2 258
L.1. Current tax	051	4 205	2 254
L.2. Deferred tax	052	523	4
**** Profit (loss) after tax (+/-)**	**053**	**17 719**	**6 989**
***** Profit (loss) for the accounting period (+/-)**	**055**	**17 719**	**6 989**
Net turnover for the accounting period	056	60 045	48 478

STATEMENT OF CHANGES IN EQUITY

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

as at 31.12.2018
(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 31/12/2016	**30 000**	**0**	**267**	**3 947**	**34 214**
Reserve fund 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**
Profit distribution	0	0	89	-89	**0**
Dividends paid	0	0	0	-6 900	**-6 900**
Profit/loss for the current period	0	0	0	17 719	**17 719**
Balance at 31/12/2018	**30 000**	**0**	**4 305**	**17 719**	**52 024**

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 2018 of TCZK 30 000 (2017: 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.

Shareholders of the Company:

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 2018.

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

The changes recorded in the Commercial Register in 2018 concerned the re-election of the Exchange Chamber members.

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 2018

	Position	Name
Exchange Chamber	Member	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 3.4.4, 3.8.5 and 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 2018, the Group used an advance coefficient of 100% (at 1 January 2017: 100%). The Group applied this coefficient for calculating a proportional VAT deduction on acquired supplies in 2018. In the VAT return for December 2018 a settlement coefficient of 100% was calculated and represents the advance coefficient for 2019.

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 2018 and 2017.

3. ADDITIONAL INFORMATION ON THE BALANCE SHEET AND INCOME STATEMENT

3.1. Fixed assets

3.1.1. Intangible fixed assets

(in TCZK)

Acquisition cost	Software	Total
Balance as at 1/1/2017	**2 531**	**2 531**
Additions	545	545
Disposals	0	0
Balance as at 31/12/2017	**3 076**	**3 076**
Additions	0	0
Disposals	0	0
Balance as at 31/12/2018	**3 076**	**3 076**

(in TCZK)

Accumulated amortization	Software	Total
Balance as at 1/1/2017	**2 031**	**2 031**
Additions	207	207
Disposals	0	0
Balance as at 31/12/2017	**2 238**	**2 238**
Additions	479	479
Disposals	0	0
Balance as at 31/12/2018	**2 717**	**2 717**

(in TCZK)

Net book value	Software	Total
Balance as at 1/1/2017	500	500
Balance as at 31/12/2017	838	838
Balance as at 31/12/2018	359	359

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

(in TCZK)

	Depreciation
2018	479
2017	207

3.1.2. Tangible fixed assets

(in TCZK)

Acquisition cost	Computer equipment	Non-capitalised tangible assets	Total
Balance as at 1/1/2017	**264**	**100**	**364**
Additions	70	0	70
Disposals	0	0	0
Balance as at 31/12/2017	**334**	**100**	**434**
Additions	101	0	101
Disposals	-27	-12	-39
Balance as at 31/12/2018	**408**	**88**	**496**

(in TCZK)

Accumulated depreciation	Computer equipment	Non-capitalised tangible assets	Total
Balance as at 1/1/2017	**183**	**100**	**283**
Additions	45	0	45
Disposals	0	0	0
Balance as at 31/12/2017	**228**	**100**	**328**
Additions	70	0	70
Disposals	-27	-12	-39
Balance as at 31/12/2018	**271**	**88**	**359**

(in TCZK)

Net book value	Computer equipment	Non-capitalised tangible assets	Total
Balance as at 1/1/2017	31	51	82
Balance as at 31/12/2017	8	98	106
Balance as at 31/12/2018	0	137	137

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

(in TCZK)

	Depreciation
2018	70
2017	45

3.2. Leased assets

The Company has an operating lease for one car and payments for the rent of premises as at 31 December 2018. Total lease payments including operating leases paid in 2018 excluding VAT were TCZK 1 371 (2017: TCZK 1 069).

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

(in TCZK)

	As at 31/12/2018	As at 31/12/2017
Due within 1 year	1 164	1 367
Due in 1 to 5 year	4 082	3 428
Due after 5 years	996	1 840
Total	**6 242**	**6 635**

3.3. Short-term financial assets

(in TCZK)

Short-term financial assets	As at 31/12/2018	As at 31/12/2017
Cash, of it:	**15**	**18**
- cash	15	18
- valuables	0	0
Bank accounts	**58 850**	**47 149**
Short-term financial assets total	**58 865**	**47 167**

3.4. Short-term receivables

3.4.1. Trade receivables

(in TCZK)

	As at 31/12/2018	As at 31/12/2017
Short-term		
- trade receivables	2 169	2 694
Trade receivables total	**2 169**	**2 694**

Trade receivables have not been secured.

The Company did not set up an adjustment to trade receivables as at 31 December 2018 or as at 31 December 2017.

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 >	
2018	Short term	784	1 385	0	0	0	0	**2 169**
	Total	**784**	**1 385**	0	**0**	**0**	**0**	**2 169**
2017	Short term	1 189	106	1 399	0	0	0	**2 694**
	Total	**1 189**	**106**	**1 399**	**0**	**0**	**0**	**2 694**

3.4.3. State - Tax receivables

(in TCZK)

	As at 31/12/2018	As at 31/12/2017
VAT	335	41
Tax receivables total	335	41

3.4.4. Receivables from related parties

(in TCZK)

Company name	As at 31/12/2018	As at 31/12/2017
Trade receivables		
EEX Power Derivates GmbH	0	1 399
European Commodity Clearing AG	1 772	1 127
PEGAS CEGH Gas Exchange Services GmbH	180	0
Total	**1 952**	**2 526**

Trade receivables represent fees for support services in connection with the clearing of trading participants and from gas trading.

(in TCZK)

Company name	As at 31/12/2018	As at 31/12/2017
Receivables from shareholders		
Energy Clearing Counterparty, a.s.	0	30
Total	**0**	**30**

As at the balance sheet date, the Company did not report any receivable from Burza cenných papírů Praha, a.s.

(in TCZK)

Company name	As at 31/12/2018	As at 31/12/2017
Estimated receivables		
Burza cenných papírů Praha, a.s.	14	0
European Energy Excgange AG	1 786	0
EEX Power Derivates GmbH	0	1 224
PEGAS CEGH Gas Exchange Services GmbH	1 397	80
Total	**3 197**	**1 304**

The Company reports estimated revenues for monthly services in connection with commodity derivative trading on the EEX T7 platform and from gas trading on the Powernext platform.

3.5. Accruals and deferrals

(in TCZK)

Company name	As at 31/12/2018	As at 31/12/2017
Prepaid expenses		
Lease payments BP	0	23
Lease payments BCPP	467	195
IT	40	66
Insurance	65	34
Other	84	118
Total	**656**	**436**

3.6. Equity

3.6.1. Registered capital

Share capital recorded in the Commercial Register amounts to TCZK 30 000 (2017: TCZK 30 000). Share capital comprises 60 registered shares with a nominal value of TCZK 500 each (2017: 60 registered shares with a nominal value of TCZK 500 each).

3.6.2. Distribution of the 2017 profit and planned distribution of profit 2018

The proposal for the distribution and transfer of the 2017 profit was approved by the General meeting on 26 April 2018. The company paid out TCZK 6 900 dividend and transferred TCZK 89 to retained earnings.

The Company plans to disburse the 2018 profit in the amount of TCZK 17 719 as a profit share.

3.7. Provisions

(in TCZK)

	Provision – income tax	Other provision
As at 1/1/2018	570	1 973
Utilization	-570	0
Release	0	1 973
Additions	2 317	0
As at 31/12/2018	**2 317**	**0**

(in TCZK)

	2017	2016
Income tax provision	2 317	570
Other provisions	0	1 973
As at 31 December	**2 317**	**2 543**

In accordance with the accounting policy described in Note 2.7, the Company did not create any provisions in 2018 (2017: TCZK 0). The Company released a provision of TCZK 1 973 intended for payment of implementation expenses related to the trading of Polish and Romanian futures with electric energy as the reasons for keeping the provision had lapsed.

3.8. Payables

3.8.1. Trade payables

(in TCZK)

Short-term trade payables and received advances	Balance as at 31/12/2018	Balance as at 31/12/2017
Short-term		
- suppliers	2 159	877
Total short-term payables	**2 159**	**877**

These liabilities are not overdue.

3.8.2. Social security and health insurance liabilities

As at 31 December 2018 the Company reports social security and health insurance liabilities of TCZK 1 832 (2017: TCZK 844). None of these liabilities are overdue.

3.8.3. State - Tax liabilities and subsidies

Tax liabilities as at 31 December 2018 were TCZK 1 756, they consist of income tax on wages (prepaid and withheld) for December 2018 of TCZK 1 756 (2017: TCZK 743).

These liabilities are not overdue.

3.8.4. Estimated payables

Estimated payables of TCZK 226 (2017: TCZK 4 632) are made up of estimates for uninvoiced services for 2018.

3.8.5. Liabilities – related parties

(in TCZK)

Company name	Balance as at 31/12/2018	Balance as at 31/12/2017
Short-term trade payables		
Burza cenných papírů Praha, a.s.	192	16
Centrální depozitář cenných papírů, a.s.	0	3
Energy Clearing Counterparty, a.s.	49	44
Total	**241**	**63**

The Company has no liabilities towards its shareholders/members.

(in TCZK)

Company name	Balance as at 31/12/2018	Balance as at 31/12/2017
Estimated payables		
Burza cenných papírů Praha, a.s.	2	3
European Commodity Clearing AG	154	0
Total	**156**	**3**

3.9. Accruals and deferrals

(in TCZK)

Company name	Balance as at 31/12/2018	Balance as at 31/12/2017
Accrued expenses	**54**	**3**
Others	54	3
Accrued revenues	**18**	**18**
Others	18	18
Total accruals	**72**	**21**

3.10. Deferred tax

(in TCZK)

Deferred tax title	Balance as at 31/12/2018	Balance as at 31/12/2017
Difference between the tax and net book value of fixed assets	0	-2
Provisions	0	375
Social and health insurance	0	150
Deferred tax asset (+) / liability (-)	0	523
Revenue (+) / Expense (-) from deferred asset change	**-523**	**-4**

In 2018, temporary differences were compensated, the resultant deferred tax being TCZK 523. The change in deferred tax asset was recognised in its full extent.

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 as at 31/12/2018	Balance as at 31/12/2017
Profit before tax	22 447	9 247
Theoretical income tax using the domestic tax rate of 19% (2017: 19%)	4 265	1 757
Tax impact of tax non-deductible expenses	322	506
Tax impact of tax non-deductible revenues	-375	-5
Prior years' tax refund	-7	-4
Current tax	**4 205**	**2 254**
Deferred tax change	523	4
Total income tax on ordinary activities	**4 728**	**2 258**
Income tax advance paid (incl. withholding tax)	1 895	1 688
Income tax provision	2 317	570

3.12. Revenue analysis

(in TCZK)

	2018		
	Domestic	Foreign	Total
Commodity exchange fee			
Trading fees - electricity	**0**	**43 962**	**43 962**
trading fees – financial futures	0	18 214	18 214
trading fees – power futures	0	25 748	25 748
Trading fees - gas	**0**	**1 397**	**1 397**
participation fee	0	883	883
trading fees	0	514	514
ECC transaction settlement	**0**	**8 729**	**8 729**
Fee for auctions for end customers	**5 269**	**0**	**5 269**
Commodity exchange information	**0**	**26**	**26**
Total revenue from the sale of services	**5 269**	**54 114**	**59 383**

(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**

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)

	2018	2017
Audit	240	215
Travel expenses	838	600
Rent and services	1 383	1 065
Representation cost	417	416
Operating leasing - cars	658	653
Repair and maintenance	13	16
Other services	3 037	3 183
IT services from transaction fees and supporting services	4 768	4 090
Advisory and legal services	1 576	1 242
Promotion	1 858	1 298
Servicing	2 863	5 935
IT services from settlement fees	154	154
Training, workshops, conferences	264	183
Total	**18 069**	**19 050**

3.14. Other operating expenses

(in TCZK)

	2018	2017
Gifts	0	25
Membership fees to associations	127	540
Other operating expenses	38	1 523
Insurance	110	107
Fee for the operation of the OTE clearing system upon the registration of gas supplies	195	180
Spent expenses settlement EnCC – loan interests	0	93
Total other operating expenses	**470**	**2 468**

3.15. Financial revenues

(in TCZK)

	2018	2017
Interest revenues:	**30**	**0**
- loans to related parties	30	0
Foreign exchange revenues	**437**	**66**
Total financial revenues	**467**	**66**

3.16. Financial expenses

(in TCZK)

	2018	2017
Banking charges:	**67**	**75**
- other banking charges	62	73
- other financial costs	5	2
Foreign exchange expenses	**296**	**959**
Total financial expenses	**363**	**1 034**

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

2018 (in TCZK)

Entity	Relation to the Company	Revenue from own services	Financial revenues	Total
Burza cenných papírů Praha, a.s.	member of BCPP Group	0	1	1
Energy Clearing Counterparty, a.s.	member of BCPP Group	0	1	1
European Energy Exchange AG	member of EEX Group	27 027	27	27 054
EEX Power Derivates GmbH	member of EEX Group	16 934	85	17 019
PEGAS CEGH Gas Exchange Services GmbH	member of EEX Group	1 397	0	1 397
European Commodity Clearing, AG	member of EEX Group	8 729	23	8 752
Total		**54 087**	**137**	**54 224**

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**

Financial revenues are represented by foreign exchange revenues.

Revenues from EEX Power Derivates GmbH comprise a share in annual fixed fees for January to June 2018 of TCZK 9 107 and variable fees for January to May 2018 of TCZK 7 827. Revenues from European Energy Exchange AG comprise a share in annual fixed fees for July to December 2018 of TCZK 9 107 and variable fees for June to December 2018 of TCZK 17 920. They relate to trading with commodity futures on the EEX T7 platform valid from 15 June 2017.

Revenues from PEGAS CEGH Gas Exchange Services GmbH represent variable fees of TCZK 1 397 following from the contract on cooperation and related to gas spot trading on the Powernext platform valid from 8 December 2017.

Revenues from European Commodity Clearing AG comprise as follows:

- revenue from stock exchange fees of TCZK 8 729 (2017: TCZK 5 936)

3.17.2. Expenses from related parties

2018 (in TCZK)

Entity	**Relation to the Company**	**Services**	**Operating expenses**	**Financial expenses**	**Total**
Burza cenných papírů Praha, a.s.	shareholder – member of BCPP Group	5 757	10	2	**5 769**
Centrální depozitář cenných papírů, a.s.	member of BCPP Group	6	0	0	**6**
Energy Clearing Counterparty, a.s.	member of BCPP Group	585	0	0	**586**
European Commodity Clearing, AG	member of EEX Group	154	0	0	**154**
Deutsche Börse AG	parent company EEX Group	0	259	0	**259**
Total		**6 503**	**269**	**2**	**6 774**

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**

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 4 768 (2017: TCZK 4 090)
- lease of non-residential premises including lease-related services and lease of phone lines of TCZK 989 (2017: TCZK 613)

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 6 (2017: TCZK 45)

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

- central counterparty services of TCZK 585 (2017: TCZK 547)
- payment of justified expenses of TCZK 154 (2017: TCZK 154)

4. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES

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

2018	Average recalculated headcount	Total staff cost
Employees	10	18 584
Total	**10**	**18 584**

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

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 670 (2017: TCZK 334).

4.2. Loans, credits and other benefits provided

In 2018 and 2017, total personnel expenses and other benefits provided to members of statutory bodies amounted to:

2018	Exchange chamber	Total
Remuneration of the statutory bodies members	467	467
Total	**467**	**467**

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

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 2018 and 31 December 2017.

6. SUBSEQUENT EVENTS

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

Prague, 1 March 2019

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 2018, 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 2018, 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 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

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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 2018, based on which this independent auditor's report has been prepared.

Prague
1 March 2019

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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