

## **Annual report 2016**

POWER EXCHANGE CENTRAL EUROPE, a.s.

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## Company profile

POWER EXCHANGE CENTRAL EUROPE, a.s. (PXE) was established on 8 January 2007 as Energetická burza Praha. PXE offers services on the electricity market, namely anonymous trading in, and settlement of, standardised products, where a single account provides access to the electricity market with the place of delivery in the Czech Republic, Slovakia, Hungary, Poland and Romania. In cooperation with Austrian Central European Gas Hub AG (CEGH), PXE operates the CEGH Czech Gas Futures market for trading in gas in the form of derivative products delivered to a virtual trading point on the Czech market (CZ gas).

PXE also enables end customers – in particular firms, municipalities, 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.

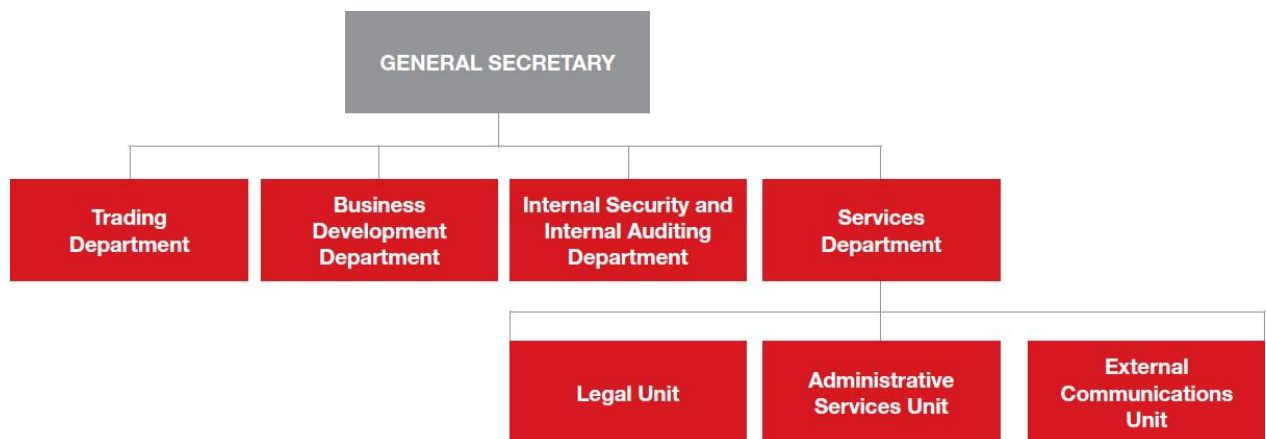
In 2016, PXE became a part of the EEX Group, after the European Energy Exchange (EEX) acquired 66.67% of PXE shares. PXE has been closely cooperating with the EEX Group since 2012, through the ECC clearing house, which provides clearing and settlement of trades for the Prague exchange.

PXE continues to cooperate closely with entities of the PX group, which includes Burza cenných papírů Praha, a.s., (the Prague Stock Exchange, PSE) – one-third owner of PXE, and Centrální depozitář cenných papírů, a.s. (the Central Securities Depository Prague, 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, 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.

## Organisational structure



# Report of the exchange chamber on business activities and the state of assets

## Introduction

*Dear Madams, Sirs,*

*2016 was a jubilee year, marking the tenth year of POWER EXCHANGE CENTRAL EUROPE, a.s (PXE)'s existence, and I am happy to say that its business has shown significant growth compared to the previous year. With unprecedented volumes of trades in some products, 2016 was indeed one of the most successful years in the company's history.*

*The total volume of trades exceeded 33 TWh, which represents a 23% increase in volume from last year. PXE was doing extremely well in trading in derivatives for Hungarian electricity, where we realised the unprecedented volume of almost 10 TWh, as well as in products for end customers, where the delivered volume of 681 GWh is the highest so far achieved by PXE and represents a 52% growth from the previous year. For the rest of the products, trading has remained at approximately the same level as last year.*

*Compared to previous years, price developments were rather turbulent in 2016. For instance, Czech electricity delivery for 2017 started to be traded at 26.45 EUR/MWh in January, after which the price dropped to the year's minimum of 21.45 EUR on 17 February. From that date, the price started to grow, achieving, after some fluctuations, 35.7 EUR/MWh on 3 November. This was again followed by a drop to 28.45 EUR, closing trading for the year at 34.95 EUR/MWh. Similar turbulences were also observed for other commodities in the derivatives of which PXE trades, and, after years of declining trends, prices started to grow again this year.*

*In January 2016, PXE shareholders signed an agreement on the entry of a strategic investor. Under the agreement, a two-third stake in the company was transferred to European Energy Exchange AG (EEX) during the year. EEX is the largest European energy exchange, whose majority owner is German Deutsche Börse AG. We expect that becoming a member of the group will have a very positive effect on PXE's trading. We believe that with full integration into the EEX group, trading in PXE products will be accessible to new trading participants, which will lead to higher market liquidity.*

*Within the EEX group, PXE will be in charge of the entire Central and Easter Europe region that it already covers today, including any possible further expansion. The importance of this region's development for EEX is documented by the fact that Mr Peter Reitz, CEO and chairman of the management board of EEX was appointed a member of the exchange chamber, and Messrs Steffen Köhler, business director and member of the management board of EEX and Tim Greenwood, sales department head of EEX were appointed new members of the supervisory board.*

*In connection with the capital entry of EEX in PXE, I would like to use this opportunity to thank the resigning member of the exchange chamber, Ms Helena Čacká, and the resigning members of the supervisory board, Messrs Jiří Opletal and Petr Horáček for their work for PXE.*

*The upcoming year 2017 will be very diverse for PXE. Wholesale will be integrated into the EEX group, and a number of structural changes in our services offered will take place. In 2016, PXE launched trading for end consumers in a new in-house trading system, which will be further developed and upgraded to further enhance user comfort and the already exceptional quality of our services.*

*To conclude, let me thank you for your interest in PXE and wish you and PXE a successful 2017.*

David Kučera, General Secretary

## Key data

	2016	2015
<b>Number of exchange days</b>	<b>252</b>	<b>250</b>
<b>Power Futures</b>		
<b>Trading volume (MWh)</b>	<b>30 367 476</b>	<b>24 097 589</b>
base load	29 964 156	23 486 837
peak load	403 320	610 752
<b>Trading volume (MEUR)</b>	<b>923</b>	<b>814</b>
base load	907	790
peak load	16	24
<b>Number of contracts (MW)</b>	<b>7 837</b>	<b>10 570</b>
base load	7 490	9 927
peak load	347	643
<b>Number of trades</b>	<b>1 583</b>	<b>1 743</b>
base load	1 525	1 643
peak load	58	100
<b>Gas Futures</b>		
<b>Trading volume (MWh)</b>	<b>1 574 601</b>	<b>1 593 757</b>
base load	1 574 601	1 593 757
peak load	0	0
<b>Trading volume (MEUR)</b>	<b>24</b>	<b>31</b>
base load	24	31
peak load	0	0
<b>Number of contracts (MW)</b>	<b>1 359</b>	<b>1 591</b>
base load	1 359	1 591
peak load	0	0
<b>Number of trades</b>	<b>79</b>	<b>61</b>
base load	79	61
peak load	0	0
<b>Gas Spot</b>		
<b>Trading volume (MWh)</b>	<b>1 538 496</b>	<b>1 584 050</b>
base load	1 538 496	1 584 050
peak load	0	0
<b>Trading volume (MEUR)</b>	<b>23</b>	<b>30</b>
base load	23	30
peak load	0	0
<b>Number of contracts (MW)</b>	<b>56 975</b>	<b>58 978</b>
base load	56 975	58 978
peak load	0	0
<b>Number of trades</b>	<b>1 428</b>	<b>970</b>
base load	1 428	970
peak load	0	0

## Financial performance

In 2016 POWER EXCHANGE CENTRAL EUROPE, a.s. (PXE) generated revenue from own services of TCZK 42 825 (2015: TCZK 41 616), which can be analysed as follows:

	(TCZK)	2016	2015
Energy trading fees		29 120	32 878
Gas trading fees		4 194	2 744
ECC transaction settlement		5 606	4 979
Auction fee charged to end participants		3 127	383
Exchange information		746	632
Other services		32	0
<b>Revenue from own services</b>		<b>42 825</b>	<b>41 616</b>

As in the previous period, the above positive development in revenue from own services was mainly due to electricity and gas auctions for municipalities and the natural gas market in cooperation with Austrian Central European Gas Hub AG (CEGH). The year-to-year decrease in revenue from own services related to energy trading fees was affected by volatility of energy prices in 2016 as mentioned in the Report of the exchange chamber on business activities and the state of assets

In 2016 PXE posted a net profit for the current year of TCZK 3 947; the current year profit was not as negatively affected by exchange rate loss as the prior period results (2015: TCZK 849).

In the current period PXE acquired a new web application PARC that serves end consumers of electricity and gas, and recorded it in intangible fixed assets at cost of TCZK 545. Amortisation relating to this intangible fixed asset amounted to TCZK 45 (2015: TCZK 0).

Total assets of PXE as at 31 December 2016 amounted to TCZK 45 215 (2015: TCZK 69 921). Their structure was as follows:

	(TCZK)	2016	2015
Fixed assets (net)		581	56
Receivables and other current assets (net)		5 166	38 796
Short-term financial assets (net)		39 468	31 069
<b>Total assets</b>		<b>45 215</b>	<b>69 921</b>

On 21 March 2016 PXE's general meeting decided to pay dividends of TCZK 3 000 to shareholders.

PXE achieved the above results with the average of seven (2015: five) employees. PXE complies with all applicable labour laws and regulations. It also enables its employees to continuously improve their professional qualification and language skills: in the current period PXE provided TCZK 104 (2015: TCZK 0) for employee professional training and language courses.

PXE 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 PXE's activity is inherently environmentally friendly, no special activities are conducted in this area. In 2016 the company did not acquire own shares.



## Activities in 2016

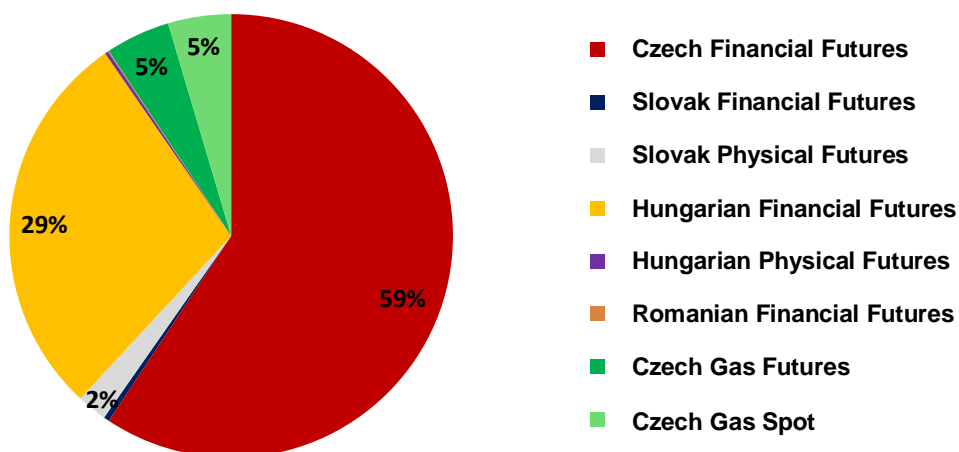
### Trading

In 2016 a total of 3 090 trades, with a total volume of 33,48 TWh were concluded in the PXE system.

PXE enables its participants to trade in: Czech (CZ), Romanian (RO) and Polish (PL) commodity futures settled financially (electricity); Czech commodity futures and spot products settled physically (CZ gas); and Slovak (SK) and Hungarian (HU) commodity futures settled financially or physically (i.e. they can choose either actual physical delivery during the corresponding delivery period or the financial settlement of price differences).

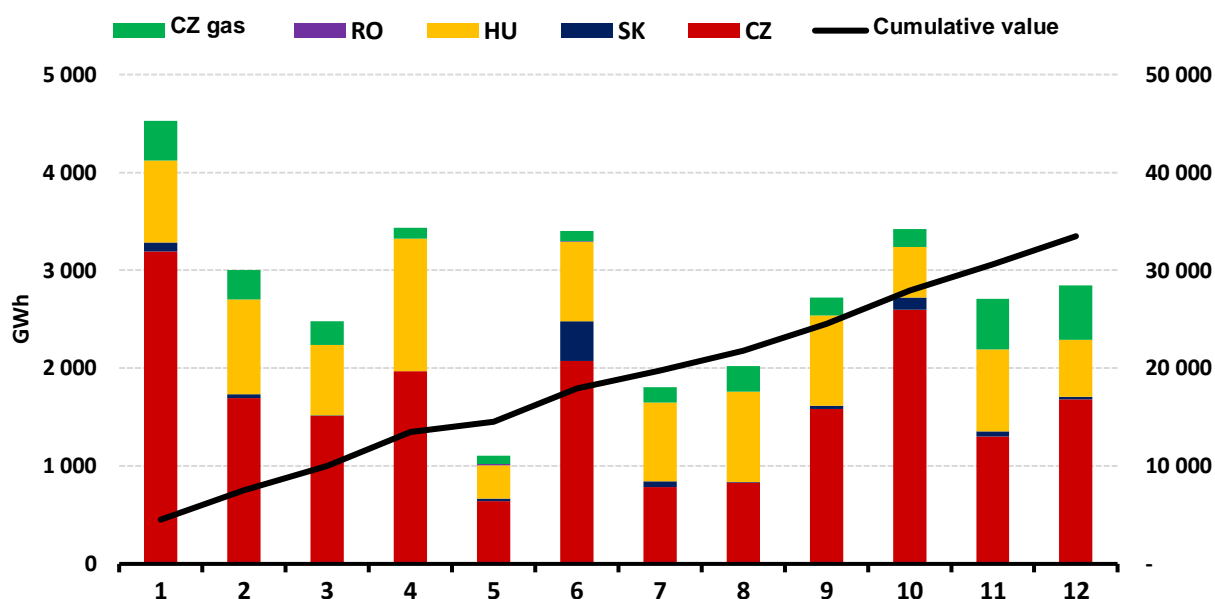
In terms of the place of delivery, the share of trades in Hungarian futures increased compared to the previous year, particularly at the expense of volumes traded in Slovak products. Trades in financially settled contracts clearly dominated on the Hungarian market. On the Slovak market, the volume of trades in physically settled contracts was more than five times that of financially settled trades.

*Share of trading volume by type and place of delivery in 2016:*



Trading volumes in the individual months of 2016 ranged from 1.10 TWh (May) to 4.53 TWh (January). The largest trading volume in terms of MWh was achieved on 29 September 2016 – 1 299 359 MWh; the largest number of concluded trades was recorded on 21 January 2016 – 51 trades, and the largest number of traded contracts (MW) on 30 November 2016 – 1 368 MW.

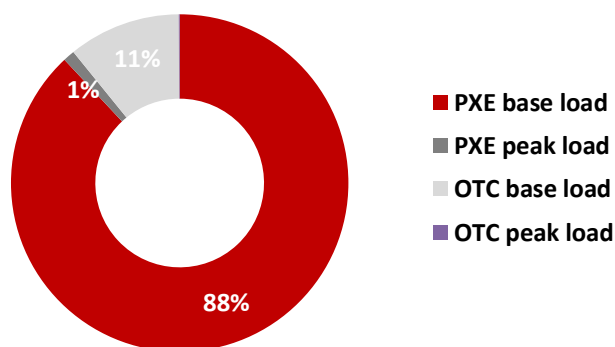
Development of monthly trading volumes on individual markets in 2016 (in GWh):



In 2016, as in previous years, trades in base load delivery products outstripped those in peak load delivery products.

The most traded product in the Czech and Hungarian market was a base load annual contract with delivery in 2017 with financial settlement: 1 258 and 528 contracts, respectively, were traded. In the Slovak market, an annual base load contract with delivery in 2017 with physical settlement was the most traded product; 45 contracts were traded. In gas market (CZ), a Day Ahead base load with physical settlement was the most wanted product; 49 846 contracts were traded.

OTC clearing as a percentage of total trades in 2016:



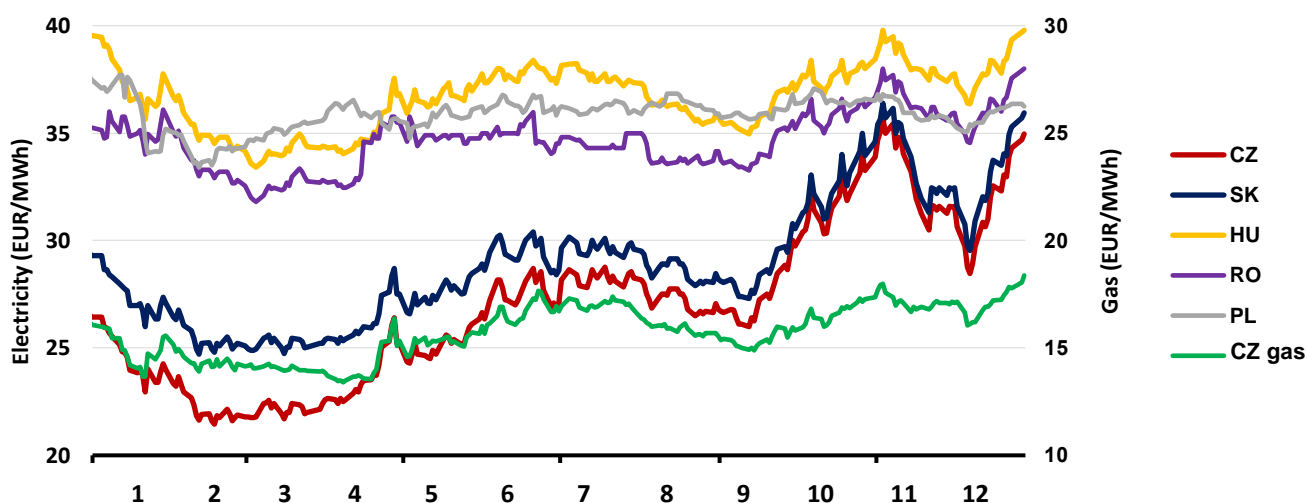
Each trading participant can conclude trades in the PXE system anonymously, upon compliance with stipulated rules and regulatory mechanisms, while they also have the option to register in the PXE system and then use it to settle trades concluded outside PXE (OTC clearing).

In the beginning of 2016, electricity prices dropped to their historical minimum. The price of Czech electricity, base load annual delivery 2017, dropped as low as EUR 21.45 on 17 February 2016. Then, after more than five years we witnessed a turnaround of the declining trend in prices, which was primarily due to a shutdown of nuclear power plants in France. Under the influence of market uncertainty, prices grew from the mentioned minimum levels by nearly 63%, to 34.95 EUR/MWh by the end of the year.

The development trend of natural gas prices was similar as for electricity prices. On 5 April 2016, the price of gas, base load annual delivery 2017, dropped to its historical minimum of 13.45 EUR/MWh. Then, the change in the trend followed and the price grew by approximately 37% to 18.38 EUR/MWh by the year end.

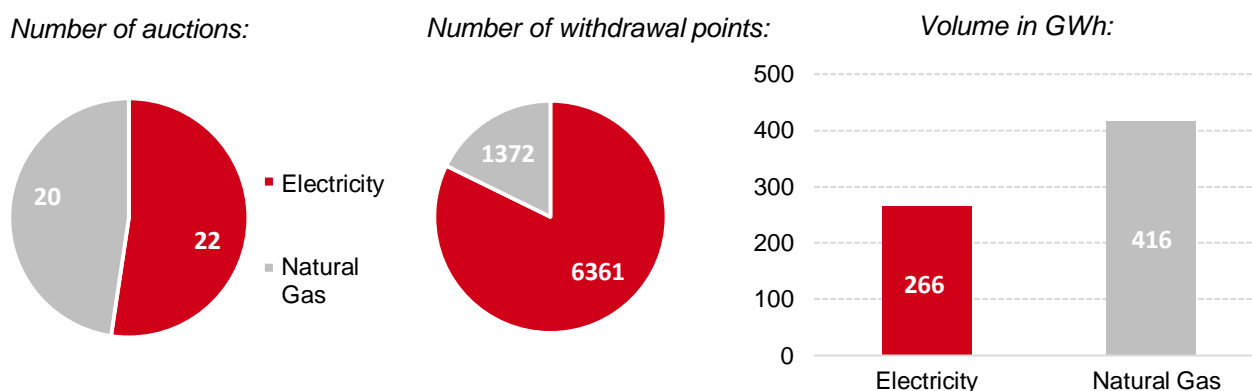
These changes in trends, together with a high volatility, created exceptional business opportunities in 2016. The total volume traded in PXE was the highest in nine years, and the second highest in the entire existence of the exchange.

*Prices of base load annual delivery in 2016 (in EUR/MWh):*



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

In 2016, a total of 22 electricity auctions and 20 natural gas auctions for end customers were successfully organised on the PXE in 21 exchange days. A total of 265 559 MWh of electricity and 415 614 MWh of natural gas was traded, accounting for MCZK 251.09 (of which MCZK 132.64 of electricity and MCZK 118.45 of gas). There were 6 361 electricity withdrawal points and 1 372 gas withdrawal points. Customers purchased the two commodities primarily for 2017, but a significant portion of transactions relates to 2018 and 2019 and some customers even chose delivery running until 2020.



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 2016 the most significant customer in terms of total volume of 234 868 MWh in two consecutive electricity and gas auctions was the Czech Ministry of Labour and Social Affairs, making use of an option of gradual purchases to ensure the delivery of both commodities until the end of 2019. Owing to gradual purchases, i.e. the division of purchases into more steps, the ministry may react to changes in the market and minimise the risk of purchasing electricity at wrong times. In particular, the ministry purchased a total of 93 723 MWh of electricity and 141 145 MWh of gas. The price of delivery is determined annually in four procurement steps with reference to the relevant annual contract.

In view of the current trend, we expect a continuing increase in the volume of electricity and natural gas traded via PXE auctions in 2017. A new web-based application, PARC, was successfully launched this year. It helps optimise auction preparations and enable customers to monitor the auction process online. They immediately have account closure sheets at their disposal and all data is archived in the application. Subsequently, consumers may update their historic demand and easily prepare a new auction.

## List of trading participants

### Participants as at 31 December 2016:

- ALPIQ ENERGY SE
- Amper Market, a.s.
- Axpo Trading AG
- BOHEMIA ENERGY entity s.r.o.
- CARBOUNION BOHEMIA, spol. s r.o.
- CENTRAL EUROPEAN POWER OPPORTUNITY FUND, L.P.
- Citigroup Global Markets Limited
- Česká spořitelna, a.s.
- ČEZ, a.s.
- Danske Commodities A/S
- E.ON Energie, a.s.
- EDF Trading Ltd
- ENEL TRADE S.P.A.
- Energetic Source S.p.A.
- ENGIE Global Markets
- ENOI S.p.A.
- EP Commodities, a.s.
- EP ENERGY TRADING, a.s.
- Ezpada, s.r.o.
- Gazprom Marketing & Trading Limited
- GEN-I, trgovanje in prodaja električne energije, d.o.o.
- Goldman Sachs International
- Greenex s.r.o.
- Gunvor International B.V., Amsterdam, Geneva Branch
- Lumius, spol. s r.o.
- Mercuria Energy Trading SA
- MND a.s.
- Nano Energies Trade s.r.o.
- NEAS ENERGY A/S
- NET4GAS, s.r.o.
- OMV Gas Marketing & Trading GmbH
- Pražská energetika, a.s.
- RWE Supply & Trading
- Sev.en EC, a.s.
- Slovakia Energy s.r.o.
- Slovenské elektrárne, a.s.
- SSE CZ, s.r.o.
- TEI Deutschland GmbH
- Trailstone Commodity Trading UK Ltd.
- TrailStone GmbH
- Uniper Global Commodities SE
- Vattenfall Energy Trading GmbH
- Veolia Komodity ČR, s.r.o.

## List of exchange members

### Exchange members as at 31 December 2016:

- Burza cenných papírů Praha, a.s., id.no.: 47115629, with its registered office at Rybná 14/682, 110 05 Praha 1 (incorporator, 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)

## Private and trading officers, exchange court of arbitration

### PXE trading officers as at 31 December 2016:

- Lukáš Melichar
- Jana Horová
- Tomáš Krejčí

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

## Activities assigned by PXE to third persons

**Started 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

## **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 2016 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 **Burza cenných papírů Praha, a.s.**, with its registered office in Praha 1, Rybná 14/682, identification No. 471 15 629, recorded in the Commercial Register maintained by the Municipal Court in Prague, section B, insert 1773 (the "Controlling Entity" or "BCPP"), which was the controlling entity until 31 May 2016; and

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"), which has been the controlling entity since 1 June 2016,

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 2016 accounting period.

### **Control until 31 May 2016**

BCPP's parent company is **CEESEG Aktiengesellschaft**, with its registered office in 1010 Wien, Wallnerstraße 8, recorded in the Commercial Register maintained by the Commercial Court in Vienna (Handelsgericht Wien) under file No. FN 161826f. The Stock Exchange Chamber is not aware of any contractual relationships between PXE and BCPP's parent company or any performance rendered on any other grounds for 2016.

The report also contains information on relations with other entities controlled by the same Controlling Entity. Entities controlled by BCPP until 31 May 2016 include:

- **Centrální depozitář cenných papírů, a.s.**, with its registered office in Praha 1, Rybná 14, identification No. 250 81 489, recorded in the Commercial Register maintained by the Municipal Court in Prague, section B, insert 4308 ("CDCP")
- **Energy Clearing Counterparty, a.s.**, with its registered office in Praha 1, Rybná 682/14, identification No. 284 416 81, recorded in the Commercial Register maintained by the Municipal Court in Prague, section B, insert 14531 ("EnCC").

**The structure of relations** between the above entities is characterised by the amount of the participation interest which BCPP holds in CDCP and EnCC, amounting to 100%. Until 31 May 2016 the participation interest of the Controlling Entity in PXE indirectly amounts to 66.67% through CDCP and EnCC. CDCP and EnCC sold their participation interests to EEX and PXE ceased to be the entity controlled by BCPP on the same date.

Pursuant to Section 82 (2) (b) and (c) of BCA, **control was exercised** through disposition with a share in the voting rights representing no less than 40% of all votes in a business corporation (Section 75 (3) of BCA); BCPP, CDCP and EnCC had to be considered parties acting in concert (Section 78 (2) (b) of BCA). No holding agreement, joint venture agreement, agreement to exercise voting rights or another similar agreement was concluded.

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.



## Control from 31 May 2016

EEX became the controlling entity as a result of the acquisition of a 66.67% participation interest in the Controlled Entity on 31 May 2016.

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 2016.

The report also contains information on relations with other entities controlled by the same Controlling Entity. Entities controlled by EEX since 31 May 2016 include:

- **European Commodity Clearing AG, a.s.**, with its registered office in Augustusplatz 9, 041 09 Leipzig, Germany, recorded under no. HRB 22 3 62 in the Commercial Register maintained by the Leipzig Court ("EEC")
- **European Commodity Clearing Luxembourg S.à.r.l.**, with its registered office in 42, Avenue J F Kennedy, L-1855 Luxembourg, the Duchy of Luxembourg, recorded in the Commercial Register under no. B 134195 ("EEC Lux").

**The structure of relations** between the above entities is characterised by the amount of the participation interest which EEX holds in ECC, amounting to 100%. ECC holds a 100% participation interest in EEC Lux.

Pursuant to Section 82 (2) (b) and (c) of BCA, **control is exercised** through disposition with a share in the voting rights representing no less than 66.67% of all votes in a business corporation (Section 75 (3) of BCA). No holding agreement, joint venture agreement, agreement to exercise voting rights or another similar agreement has been concluded.

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 2016 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 21 March 2016 decided, inter alia, to cancel the reserve fund and transfer it to retained earnings, to approve the 2015 statutory financial statements and the proposal for distribution of profit for 2015 and to pay a dividend of TCZK 50 per share, totalling TCZK 3 000. No other acts pursuant to Section 82 (2) (d) of BCA were performed in the 2016 accounting period.

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

Contracts between BCPP and the Controlled Entity in force over the period of interconnection were as follows:

Date of agreement	Name of agreement	Description of performance
19 December 2008	Agreement on cooperation within the group VAT registration, as amended by Amendment No. 1 dated 31 December 2010	Adjustment of mutual rights within the group pursuant to the VAT Act, together with PXE, BCPP, CDCP and EnCC
1 January 2009	Agreement on sub-lease of non-residential premises, as amended by Amendment No. 5 dated 4 December 2015	Sub-lease of non-residential premises that BCPP leases from Burzovní Palác Investment s.r.o.

31 December 2015	Settlement Agreement	Financial settlement of provided support services between PCPP and PXE in 2015
1 January 2016	Services Agreement	Agreement on provision of services between BCPP and PXE

No acts in accordance with Section 82 (2) (d) of BCA were performed in 2016. Multilateral agreements referred to herein were in effect in the period of interconnection. Another agreement that was in effect during that period was as follows:

Date of agreement	Name of agreement	Description of performance
18 December 2015	Agreement on administration of records on dematerialised securities issue in central records of securities, as amended by Amendment No. 1 dated 28 December 2015	Administration of records on dematerialised shares issue of PXE

No acts in accordance with Section 82 (2) (d) of BCA were performed between EnCC and PXE in 2016. Multilateral agreements referred to herein concluded between EnCC and the Controlled Entity were in effect in the period of interconnection. Another agreement that was in effect during that period was as follows:

Date of agreement	Name of agreement	Description of performance
30 August 2013	Agreement to ensure services of a central counterparty in connection with trading at the PXE market	Ensuring of services of a central counterparty
30 March 2009	Loan agreement, as amended by Amendment No. 1 dated 30 December 2014	Provision of a short-term revolving loan to EnCC to pay VAT to suppliers of electricity in PXE of up to CZK 150 million from creditors of CDCP, PXE and BCPP. Loan agreement was terminated by Amendment No. 2 dated 5 January 2016

From 31 May 2016 relations between EEX and the Controlled Entity were governed 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

From 31 May 2016 relations between ECC and the Controlled Entity were governed 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), ve znění Change Requestu CR002- CEGH, Change Requestu PXE CR003, Change Requestu PXE CR004- Introduction of Default Process, Change Requestu PXE CR005_ Introduction of CEGH Czech Natural Gas Spot Contracts, Change Requestu PXE CR006 - Introduction of Emergency Member Stop	Provision of clearing services by ECC 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 at PXE's premises
20 February 2015	Side Letter to the Clearing Services Agreement (among ECC AG, ECC Lux, PXE and EnCC)	Provision of support services by PXE
1 October 2015	PXE Fee Settlement Agreement	Collection of exchange fees for PXE

From 31 May 2016 relations between EEC Lux and the Controlled Entity were governed 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
20 February 2015	Side Letter to the Clearing Services Agreement (among ECC AG, ECC Lux, PXE and EnCC)	Provision of support services by PXE

#### 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, 10 March 2017



Petr Koblíček  
Chairman of the Exchange Chamber



David Kučera  
General Secretary (holder of procuratorship)

## **Financial section**

### **Financial statements**

## **FINANCIAL STATEMENTS**

**31 DECEMBER 2016**

**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:** 10 March 2017

### **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.

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<b>BALANCE SHEET</b>		<b>POWER EXCHANGE CENTRAL EUROPE, a.s.</b>			
		<b>Identification number: 278 65 444</b>			
as at 31.12.2016 (in TCZK)		Rybná 682/14 110 05 Praha 1			
		31. 12. 2016			31. 12. 2015
		Brutto	Correction	Netto	Netto
<b>TOTAL ASSETS</b>	<b>001</b>	<b>47 529</b>	<b>-2 314</b>	<b>45 215</b>	<b>69 921</b>
<b>B. Fixed assets</b>	<b>003</b>	<b>2 895</b>	<b>-2 314</b>	<b>581</b>	<b>56</b>
<b>B.I. Intangible fixed assets</b>	<b>004</b>	<b>2 531</b>	<b>-2 031</b>	<b>500</b>	<b>1</b>
<b>B.I.2 Intellectual property rights</b>	<b>006</b>	<b>2 531</b>	<b>-2 031</b>	<b>500</b>	<b>1</b>
B.I.2.1. Software	007	2 531	-2 031	500	1
<b>B.II. Tangible fixed assets</b>	<b>014</b>	<b>364</b>	<b>-283</b>	<b>81</b>	<b>55</b>
B.II.2. Plant and equipment	018	364	-283	81	55
<b>C. Current assets</b>	<b>037</b>	<b>44 413</b>	<b>0</b>	<b>44 413</b>	<b>69 625</b>
<b>C.II. Receivables</b>	<b>046</b>	<b>4 945</b>	<b>0</b>	<b>4 945</b>	<b>38 556</b>
<b>C.II.1. Long-term receivables</b>	<b>047</b>	<b>557</b>	<b>0</b>	<b>557</b>	<b>503</b>
C.II.1.4. Deferred tax asset	051	528	0	528	488
<b>C.II.1.5. Receivables - other</b>	<b>052</b>	<b>29</b>	<b>0</b>	<b>29</b>	<b>15</b>
C.II.1.5.2. Long-term advances paid	054	29	0	29	15
<b>C.II.2. Short-term receivables</b>	<b>057</b>	<b>4 388</b>	<b>0</b>	<b>4 388</b>	<b>38 053</b>
C.II.2.1. Trade receivables	058	3 975	0	3 975	6 445
C.II.2.3. Receivables – associated companies	060	0	0	0	29 728
<b>C.II.2.4. Receivables - other</b>	<b>061</b>	<b>413</b>	<b>0</b>	<b>413</b>	<b>1 880</b>
C.II.2.4.3. Tax receivables	064	57	0	57	1 555
C.II.2.4.4. Short term advances paid	065	21	0	21	71
C.II.2.4.5. Estimated receivables	066	335	0	335	253
C.II.2.4.6. Other receivables	067	0	0	0	1
<b>C.IV. Cash</b>	<b>071</b>	<b>39 468</b>	<b>0</b>	<b>39 468</b>	<b>31 069</b>
C.IV.1. Cash in hand	072	64	0	64	43
C.IV.2. Bank accounts	073	39 404	0	39 404	31 026
<b>D. Deferrals</b>	<b>074</b>	<b>221</b>	<b>0</b>	<b>221</b>	<b>240</b>
D.1. Prepaid expenses	075	221	0	221	240



		31.12.2016	31.12.2015
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>078</b>	<b>45 215</b>	<b>69 921</b>
<b>A. Equity</b>	<b>079</b>	<b>34 214</b>	<b>63 267</b>
<b>A.I. Registered capital</b>	<b>080</b>	<b>30 000</b>	<b>60 000</b>
A.I.1. Registered capital	081	30 000	60 000
<b>A.III. Funds from profit</b>	<b>092</b>	<b>0</b>	<b>2 386</b>
A.III.1. Other reserve funds	093	0	2 386
<b>A.IV. Retained earnings (+/-)</b>	<b>095</b>	<b>267</b>	<b>32</b>
A.IV.1. Retained profits	096	267	32
<b>A.V. Profit (loss) for the current period (+/-)</b>	<b>099</b>	<b>3 947</b>	<b>849</b>
<b>B.+ C. Liabilities</b>	<b>101</b>	<b>10 976</b>	<b>6 621</b>
<b>B. Provisions</b>	<b>102</b>	<b>2 332</b>	<b>1 973</b>
B.2. Income tax provision	104	269	0
B.4. Other provisions	106	2 063	1 973
<b>C. Liabilities</b>	<b>107</b>	<b>8 644</b>	<b>4 648</b>
<b>C.II. Short-term liabilities</b>	<b>123</b>	<b>8 644</b>	<b>4 648</b>
C.II.4. Trade payables	129	1 242	1 849
<b>C.II.8. Liabilities - other</b>	<b>133</b>	<b>7 402</b>	<b>2 799</b>
C.II.8.1. Liabilities to shareholders/members	134	87	20
C.II.8.3. Payables to employees	136	1 949	0
C.II.8.4. Social security and health insurance liabilities	137	753	0
C.II.8.5. Tax liabilities and subsidies	138	692	57
C.II.8.6. Estimated payables	139	3 881	2 722
C.II.8.7. Other payables	140	40	0
<b>D. Accruals</b>	<b>141</b>	<b>25</b>	<b>33</b>
D.1. Accrued expenses	142	7	15
D.2. Deferred revenues	143	18	18

**INCOME STATEMENT****POWER EXCHANGE CENTRAL EUROPE, a.s.****Identification number: 278 65 444**as at year ended 31.12.2016  
(in TCZK)Rybná 682/14  
110 05 Praha 1

		2016	2015
I. Revenue from products and services	001	42 825	41 616
A. Cost of sales	003	20 938	21 652
A.2. Materials and consumables	005	247	208
A.3. Services	006	20 691	21 444
D. Personnel expenses	009	14 200	13 176
D.1. Wages and salaries	010	11 138	10 349
D.2. Social security, health insurance and other expenses	011	3 062	2 827
D.2.1 Social security and health insurance expenses	012	2 773	2 521
D.2.2. Other expenses	013	289	306
E. Adjustments relating to operating activities	014	82	22
E.1. Adjustments to intangible and tangible fixed assets	015	82	22
E.1.1. Depreciation and amortisation of intangible and tangible fixed assets	016	82	22
III. Other operating revenues	020	10	8
III.1. Proceeds from disposals of fixed assets	021	0	8
III.3. Other operating revenues	023	10	0
F. Other operating expenses	024	1 900	3 716
F.3. Taxes and charges	027	11	2
F.4. Provisions relating to operating activity and complex prepaid expenses	028	90	1 973
F.5. Other operating expenses	029	1 799	1 741
<b>* Operating profit (loss) (+/-)</b>	<b>030</b>	<b>5 714</b>	<b>3 058</b>
VI. Interest revenue and similar revenue	039	5	378
VI.1. Interest revenue and similar revenue – group undertakings	040	5	378
VII. Other financial revenues	046	475	1 425
K. Other financial expenses	047	687	3 255
<b>* Profit (loss) from financial operations</b>	<b>048</b>	<b>-207</b>	<b>-1 452</b>
<b>** Profit (loss) before tax (+/-)</b>	<b>049</b>	<b>5 507</b>	<b>1 606</b>
L. Income tax	050	1 560	757
L.1. Current tax	051	1 600	1 150
L.2. Deferred tax	052	-40	-393
<b>** Profit (loss) after tax (+/-)</b>	<b>053</b>	<b>3 947</b>	<b>849</b>
<b>*** Profit (loss) for the accounting period (+/-)</b>	<b>055</b>	<b>3 947</b>	<b>849</b>
Net turnover for the accounting period	056	43 314	43 427

**STATEMENT OF CHANGES IN EQUITY****POWER EXCHANGE CENTRAL EUROPE, a.s.**  
**Identification number: 278 65 444**as at 31.12.2016  
(in TCZK)Rybná 682/14  
110 05 Praha 1

	Registered capital	Funds from profit	Retained profit	Profit (loss) for the current period	Equity Total
<b>Balance at 31/12/2014</b>	<b>60 000</b>	<b>2 386</b>	<b>0</b>	<b>4 772</b>	<b>67 158</b>
Distribution of profit	0	0	32	-32	0
Dividends paid	0	0	0	-4 740	-4 740
Profit/loss for the current period	0	0	0	849	849
<b>Balance at 31/12/2015</b>	<b>60 000</b>	<b>2 386</b>	<b>32</b>	<b>849</b>	<b>63 267</b>
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
<b>Balance at 31/12/2016</b>	<b>30 000</b>	<b>0</b>	<b>267</b>	<b>3 947</b>	<b>34 214</b>

## **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 2016 of TCZK 30 000 (2015: TCZK 60 000) comprises 60 registered ordinary shares in book-entry form with 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 2016.

#### **Other events**

On 8 December 2008, Wiener Börse AG became a majority shareholder of the company Burza cenných papírů Praha, a.s.

The Exchange Chamber of the Company decided as at 14 April 2009 on a change in the legal status of the Company and for this purpose the project for changing the legal status according to Act No. 125/2008 Coll. on transformations of business companies and cooperatives, was developed. The effective date of the change in legal status was set for 1 July 2009.

As at 5 May 2009, the Ministry of Industry and Trade approved the change in the legal status and in the Articles of Association of Energetická burza Praha.

As at 2 July 2009 based on a notarial record, the name of the Company was changed from Energetická burza Praha, a.s. to POWER EXCHANGE CENTRAL EUROPE, a.s.

Energetická burza Praha was deleted from the Commercial Register as at 15 July 2009 and was replaced by POWER EXCHANGE CENTRAL EUROPE, a.s. The Company's corporate details are maintained in the Commercial Register at the Municipal Court in Prague, File B, Insert 15362.

At the beginning of October 2011, the Company started trading with a new trading system, Trayport GlobalVision, which is used for trading futures contracts of physical and financial settlement for the Czech market, together with contracts of physical settlement for the Slovak and Hungarian markets.

In March 2012, the Company stopped trading with the Austrian power exchange EXAA.

As at 29 June 2012, the Hungarian subsidiary was closed and the Hungarian licence expired. The futures market based on Hungarian electricity prices is from then on organized in the Czech Republic under the Czech regulated market license.

In September 2013 the PXE started to cooperate with the European Commodity Clearing AG (hereinafter "ECC") which performs the function of the central counterparty of PXE and ensures the clearing and settlement of all business realized in PXE.

In December 2013 PXE in cooperation with the Central European Gas Hub AG, registered in Austria, the PXE opened an exchange market with gas in the Czech Republic. The commodity portfolio of the Company was thus extended by derivate products with gas delivered on the Czech market.

On 1 September 2014, PXE extended its offer of electricity futures by Polish and Romanian products. PXE also began to newly offer a possibility of finding the most suitable electricity supplier to end customers via electricity auctions.

Gas and electricity auctions were held in 2015 which continued in 2016.

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

The general meeting of POWER EXCHANGE CENTRAL EUROPE, a.s. held on 17 December 2015 decided to change the Articles of Association and their shares from paper to book-entry form. It also decided to decrease the registered capital by TCZK 30 000 by decreasing the nominal value of 60 shares in book-entry form from TCZK 1000 per share to TCZK 500 per share. The registered capital was decreased on 3 May 2016. The amount corresponding to the decrease of TCZK 30 000 was distributed among shareholders proportionately to the volume of their shares.

The general meeting of PXE held on 29 April 2016 decided to adopt a change of the Articles of Association resulting from an agreement between the Company's existing shareholders and European Energy Exchange AG on the sale of two thirds of a participation interest in PXE's registered capital. Simultaneously, European Energy Exchange AG was admitted a member of the PXE.

The holder of a 2/3 share in the registered capital of PXE as at 31 May 2016 was European Energy Exchange AG.

### 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 2016

	Position	Name
Exchange Chamber	Chairman	Petr Koblíček
	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.

Changes in the Exchange Chamber and supervisory board recorded in the Commercial Register in 2016 were as follows:

On 7 March 2016, the Exchange Chamber chair changed its status to a member of the Exchange Chamber. On 15 May 2016, Helena Čáková terminated its membership in the Exchange Chamber (erased from the Commercial Register on 30 May 2016). Peter Reitz became a new Exchange Chamber member on 16 May 2016 (recorded in the Commercial Register on 30 May 2016). Petr Koblíček was appointed the chair of the Exchange Chamber on 6 December 2016.

Jiří Opletal and Petr Horáček terminated their membership in the supervisory board on 15 May 2016 (erased from the Commercial Register on 7 March 2016). Steffen Köhler and Timothy Greenwood became new members of the supervisory board on 16 May 2016 (recorded in the Commercial Register on 7 September 2016). On 10 October 2016, a member of the supervisory board changed its status to the chair of the supervisory board Radan Marek was appointed the chair of the supervisory board (recorded in the Commercial Register on 2 January 2017).

## **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 taxation**

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 is 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 2016, the Group used an advance coefficient of 100% (at 1 January 2015: 94%). The Group applied this coefficient for calculating a proportional VAT deduction on acquired supplies in 2016. In the VAT return for December 2016 a settlement coefficient of 100% was calculated and represents the advance coefficient for 2017.

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 2016 and 2015.

### 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
<b>Balance as at 1/1/2015</b>	<b>1 120</b>	<b>1 986</b>	<b>3 106</b>
Additions	0	0	3
Disposals	0	0	0
<b>Balance as at 31/12/2015</b>	<b>1 120</b>	<b>1 986</b>	<b>3 106</b>
Additions	0	545	545
Disposals	-1 120	0	-1 120
<b>Balance as at 31/12/2016</b>	<b>0</b>	<b>2 531</b>	<b>2 531</b>

(in TCZK)

Accumulated amortization	Incorporation expenses	Software	Total
<b>Balance as at 1/1/2015</b>	<b>1 120</b>	<b>1 983</b>	<b>3 103</b>
Additions	0	2	2
Disposals	0	0	0
<b>Balance as at 31/12/2015</b>	<b>1 120</b>	<b>1 985</b>	<b>3 105</b>
Additions	0	46	46
Disposals	-1 120	0	-1 120
<b>Balance as at 31/12/2016</b>	<b>0</b>	<b>2 031</b>	<b>2 031</b>

(in TCZK)

Net book value	Incorporation expenses	Software	Total
Balance as at 1/1/2015	0	3	3
Balance as at 31/12/2015	0	1	1
Balance as at 31/12/2016	0	500	500

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

(in TCZK)

	Depreciation
2016	46
2015	2

### 3.1.2. Tangible fixed assets

(in TCZK)			
Acquisition cost	Computer equipment	Non-capitalised tangible assets	Total
Balance as at 1/1/2015	131	174	305
Additions	70	0	70
Disposals	0	-74	-74
Balance as at 31/12/2015	201	100	301
Additions	63	0	63
Disposals	0	0	0
Balance as at 31/12/2016	264	100	364

(in TCZK)			
Accumulated depreciation	Computer equipment	Non-capitalised tangible assets	Total
Balance as at 1/1/2015	131	169	300
Additions	16	4	20
Disposals	0	-74	-74
Balance as at 31/12/2015	147	99	246
Additions	35	1	36
Disposals	0	0	0
Balance as at 31/12/2016	183	100	283

(in TCZK)			
Net book value	Computer equipment	Non-capitalised tangible assets	Total
Balance as at 1/1/2015	0	5	5
Balance as at 31/12/2015	54	1	55
Balance as at 31/12/2016	81	0	81

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

(in TCZK)	
	Depreciation
2016	36
2015	20

### 3.2. Leased assets

The Company has an operating lease for one car and payments for the rent of premises as at 31 December 2016. Total lease payments including operating leases paid in 2016 excluding VAT were TCZK 1 058 (2015: TCZK 904).

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

(in TCZK)		
	As at 31/12/2016	As at 31/12/2015
Due within 1 year	989	1 075
Due in 1 to 5 year	2 452	1 993
Due after 5 years	1 423	0
<b>Total</b>	<b>4 864</b>	<b>3 068</b>

### 3.3. Short-term financial assets

	(in TCZK)	
	As at 31/12/2016	As at 31/12/2015
<b>Short-term financial assets</b>		
Cash, of it:	64	43
- cash	41	42
- valuables	23	1
<b>Bank accounts</b>	<b>39 404</b>	<b>31 026</b>
<b>Short-term financial assets total</b>	<b>39 468</b>	<b>31 069</b>

### 3.4. Short-term receivables

#### 3.4.1. Trade receivables

	(in TCZK)	
	As at 31/12/2016	As at 31/12/2015
<b>Short-term</b>		
- trade receivables	3 975	6 441
- other trade receivables	0	4
<b>Trade receivables total</b>	<b>3 975</b>	<b>6 445</b>

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 >	
2016	Short term	3 609	366	0	0	0	0	3 975
	Total	3 609	366	0	0	0	0	3 975
2015	Short term	6 445	0	0	0	0	0	6 445
	Total	6 445	0	0	0	0	0	6 445

#### 3.4.3. State - Tax receivables

	(in TCZK)	
	As at 31/12/2016	As at 31/12/2015
Income tax receivables	0	1 482
VAT	29	61
Withholding tax	28	12
<b>Tax receivables total</b>	<b>57</b>	<b>1 555</b>

The Company does not report any income tax receivables for 2016 (2015: TCZK 1 482).

### 3.4.4. Receivables from related parties

(in TCZK)		
Company name	As at 31/12/2016	As at 31/12/2015
<b>Trade receivables</b>		
Burza cenných papírů Praha, a.s.	0	2 714
European Commodity Clearing AG	827	0
<b>Total</b>	<b>827</b>	<b>2 714</b>

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

(in TCZK)		
Company name	As at 31/12/2016	As at 31/12/2015
<b>Receivables from shareholders</b>		
Energy Clearing Counterparty, a.s.	0	29 728
<b>Total</b>	<b>0</b>	<b>29 728</b>

The Company does not report any loans to group companies as at 31 December 2016 (2015: TCZK 29 728). Loans recorded in the prior period have been paid.

(in TCZK)		
Company name	As at 31/12/2016	As at 31/12/2015
<b>Estimated receivables</b>		
Burza cenných papírů Praha, a.s.	33	3
<b>Total</b>	<b>33</b>	<b>3</b>

The Company reports an estimated receivable relating to overpaid services connected with leases for 2016.

### 3.5. Accruals and deferrals

(in TCZK)		
Company name	As at 31/12/2016	As at 31/12/2015
<b>Prepaid expenses</b>		
Lease payments BP	45	68
Lease payments BCPP	4	0
IT	103	33
Insurance	37	37
Other	32	102
<b>Total</b>	<b>24</b>	<b>240</b>

### 3.6. Equity

#### 3.6.1. Registered capital

Share capital recorded in the Commercial Register amounts to TCZK 30 000 (2015: TCZK 60 000). Share capital comprises 60 registered shares with a nominal value of TCZK 500 each (2015: 60 registered shares with a nominal value of TCZK 1 000 each).

A decrease in the registered capital was recorded in the Commercial Register on 3 May 2016.

#### 3.6.2. Distribution of the 2015 profit and planned distribution of profit 2016

The proposal for the distribution and transfer of the 2015 profit was approved by the General meeting on 21 March 2016. The payment of dividends was agreed in the total amount of TCZK 50 per share, i.e. the payment in the total amount of TCZK 3 000.

The Company plans to disburse the 2016 profit in the amount of TCZK 3 947 as a profit share.

### 3.7. Provisions

	(in TCZK)	
	Provision – income tax	Other provision
As at 1/1/2016	0	1 973
Additions	269	90
<b>As at 31/12/2016</b>	<b>269</b>	<b>2 063</b>

	(in TCZK)	
	2016	2015
Income tax provision	269	0
Other provisions	2 063	1 973
<b>As at 31 December</b>	<b>2 332</b>	<b>1 973</b>

In accordance with the accounting policy described in note 2.7, the Company created a provision of TCZK 90 in 2016 (2015: TCZK 1 973). A new provision relates to a potential legal dispute. 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.

### 3.8. Payables

#### 3.8.1. Trade payables

(in TCZK)		
	Balance at 31/12/2016	Balance at 31/12/2015
Short-term trade payables and received advances		
Short-term		
- suppliers	1 242	1 849
<b>Total short-term payables</b>	<b>1 242</b>	<b>1 849</b>

All Company liabilities are due.

#### 3.8.2. Social security and health insurance liabilities

As at 31 December 2016 the Company reports social security and health insurance liabilities of TCZK 753 (2015: CZK 0). None of these liabilities are overdue.

#### 3.8.3. State - Tax liabilities and subsidies

Tax liabilities as at 31 December 2016 were TCZK 692, comprising payables from income tax on wages (prepaid and withheld) for December 2016 of TCZK 633 and TCZK 59 (2015: TCZK 57) relating to withholding tax on the granting of a right to use software.

These liabilities are not overdue.

#### 3.8.4. Estimated payables

Estimated payables amount to TCZK 3 881 (2015: TCZK 2 722) and primarily include estimates for annual employee bonuses totalling TCZK 2 979 (2015: TCZK 2 495), including social security and health insurance estimates.

#### 3.8.5. Liabilities – related parties

(in TCZK)		
Company name	Balance at 31/12/2016	Balance at 31/12/2015
<b>Short-term trade payables</b>		
Burza cenných papírů Praha, a.s.	5	750
Centrální depozitář cenných papírů, a.s.	2	12
Energy Clearing Counterparty, a.s.	51	57
<b>Total</b>	<b>58</b>	<b>819</b>

(in TCZK)		
Company name	Balance at 31/12/2016	Balance at 31/12/2015
<b>Liabilities to shareholders/owners and alliance partners</b>		
Burza cenných papírů Praha, a.s.	87	20
<b>Total</b>	<b>87</b>	<b>20</b>

Liabilities – related parties consist of VAT liabilities.



(in TCZK)		
Company name	Balance at 31/12/2016	Balance at 31/12/2015
<b>Estimated payables</b>		
Burza cenných papírů Praha, a.s.	3	3
<b>Total</b>	<b>3</b>	<b>3</b>

(in TCZK)		
	Balance at 31/12/2016	Balance at 31/12/2015
<b>Accrued expenses</b>		
Burza cenných papírů Praha, a.s.	0	12
<b>Accrued liabilities</b>	<b>0</b>	<b>12</b>

### 3.9. Accruals and deferrals

(in TCZK)		
Company name	Balance at 31/12/2016	Balance at 31/12/2015
<b>Accrued expenses</b>	<b>7</b>	<b>15</b>
Rent	0	12
Others	7	3
<b>Accrued revenues</b>	<b>18</b>	<b>18</b>
Others	18	18
<b>Total accruals</b>	<b>25</b>	<b>33</b>

### 3.10. Deferred tax

(in TCZK)		
Deferred tax title	Balance at 31/12/2015	Balance at 31/12/2015
Difference between the tax and net book value of fixed assets	0	0
Provisions	392	375
Social and health insurance	136	113
Deferred tax asset (+) / liability (-)	528	488
<b>Revenue (+) / Expense ( - ) from deferred asset change</b>	<b>40</b>	<b>393</b>

As at 31 December 2016, deferred tax was calculated using a tax rate of 19% (for 2017 onwards), depending on the period, in which the compensation of temporary differences is expected.

As at 31 December 2015 deferred tax was calculated using a tax rate of 19%.

### 3.11. Income tax on ordinary activities

	(in TCZK)	
	Balance at 31/12/2016	Balance at 31/12/2015
Profit before tax	5 507	1 606
Theoretical income tax using the domestic tax rate of 19% (2015: 19%)	1 046	305
Tax impact of tax non-deductible expenses	556	862
Tax impact of tax non-deductible revenues	-2	-2
Prior years' tax refund	0	-15
<b>Current tax</b>	<b>1 600</b>	<b>1 150</b>
Deferred tax change	-40	-393
<b>Total income tax on ordinary activities</b>	<b>1 560</b>	<b>757</b>
Income tax advance paid (incl. withholding tax)	1 330	2 659
Income tax receivable	0	1 494
Income tax provision	269	0

### 3.12. Revenue analysis

	(in TCZK)		
	2016		
	Domestic	Foreign	Total
<b>Commodity exchange fee</b>	<b>16 203</b>	<b>17 111</b>	<b>33 314</b>
<b>Trading fees - electricity</b>	<b>14 760</b>	<b>14 360</b>	<b>29 120</b>
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
<b>Trading fees - gas</b>	<b>1 443</b>	<b>2 751</b>	<b>4 194</b>
participation fee	303	0	303
trading fees	399	292	691
communication connection fee	741	2 459	3 200
<b>ECC transaction settlement</b>	<b>0</b>	<b>5 606</b>	<b>5 606</b>
<b>Fee for auctions for end customers</b>	<b>3 127</b>	<b>0</b>	<b>3 127</b>
<b>Commodity exchange information</b>	<b>0</b>	<b>746</b>	<b>746</b>
<b>Other</b>	<b>0</b>	<b>32</b>	<b>32</b>
<b>Total revenue from the sale of services</b>	<b>19 330</b>	<b>23 495</b>	<b>42 825</b>

	(in TCZK)		
	2015		
	Domestic	Foreign	Total
<b>Commodity exchange fee</b>	<b>17 866</b>	<b>17 756</b>	<b>35 622</b>
<b>Trading fees - electricity</b>	<b>16 278</b>	<b>16 600</b>	<b>32 878</b>
participation fee	7 149	6 315	13 464
trading fees – financial futures	4 798	2 793	7 591
trading fees – power futures	143	416	559
communication connection fees	4 188	7 076	11 264
<b>Trading fees - gas</b>	<b>1 588</b>	<b>1 156</b>	<b>2 744</b>
participation fee	368	0	368
trading fees	413	302	715
communication connection fee	807	854	1 661
<b>ECC transaction settlement</b>	<b>0</b>	<b>4 979</b>	<b>4 979</b>
<b>Fee for auctions for end customers</b>	<b>383</b>	<b>0</b>	<b>383</b>
<b>Commodity exchange information</b>	<b>0</b>	<b>632</b>	<b>632</b>
<b>Total revenue from the sale of services</b>	<b>18 249</b>	<b>23 367</b>	<b>41 616</b>

The total amount of fees for trading in gas that the Company is obliged to monitor based on a

contract with Central European Gas Hub AG amounted to TCZK 4 194 in 2016 (2015: TCZK 2 744).

### 3.13. Cost of services

	(in TCZK)	
	2016	2015
Repair and maintenance	4	2
Travel expenses	497	483
Representation cost	382	689
Rent and services	698	942
Operating leasing - cars	563	249
Advisory and legal services	2 433	1 202
Audit	240	215
Promotion	888	1 976
Servicing	7 002	7 494
Training, workshops, conferences	104	6
IT services from settlement fees	162	162
IT services from transaction fees and supporting services	4 090	4 635
Other services	3 628	3 389
<b>Total</b>	<b>20 691</b>	<b>21 444</b>

KPMG Česká republika Audit, s.r.o. has not provided the Company with other significant services than auditing the financial statements for 2016 and 2015.

### 3.14. Other operating expenses

	(in TCZK)	
	2016	2015
Insurance	121	129
Membership fees to associations	541	546
Spent expenses settlement EnCC – loan interests	221	394
Fee for the operation of the OTE clearing system upon the registration of gas supplies	180	180
Other operating expenses	736	492
<b>Total other operating expenses</b>	<b>1 799</b>	<b>1 741</b>

### 3.15. Financial revenues

	(in TCZK)	
	2016	2015
<b>Interest revenues:</b>	<b>5</b>	<b>378</b>
- bank accounts	0	0
- loans to related parties	5	378
<b>Foreign exchange revenues</b>	<b>475</b>	<b>1 425</b>
<b>Total financial revenues</b>	<b>480</b>	<b>1 803</b>

### 3.16. Financial expenses

	(in TCZK)	
	2016	2015
<b>Banking charges:</b>	<b>77</b>	<b>73</b>
- other banking charges	77	73
<b>Foreign exchange expenses</b>	<b>610</b>	<b>3 182</b>
<b>Total financial expenses</b>	<b>687</b>	<b>3 255</b>

### 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

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
<b>Total</b>		<b>6 211</b>	<b>5</b>	<b>6 216</b>

2015		(in TCZK)		
Entity	Relation to the Company	Revenue from own services	Financial revenues	Total
Burza cenných papírů Praha, a.s.	shareholder – member of BCPP Group	0	24	24
Energy Clearing Counterparty, a.s.	member of BCPP Group	0	406	406
Wiener Börse AG	member of CEESEG Group	490	1	491
<b>Total</b>		<b>490</b>	<b>431</b>	<b>921</b>

Revenues generated from Burza cenných papírů Praha, a.s. are not reported (2015: TCZK 24).

Revenues from Energy Clearing Counterparty, a.s. comprise as follows:

- interest revenue from provided financial aid of TCZK 5 (2015: TCZK 378)
- foreign exchange gains are not reported (2015: TCZK 28)

Revenues from European Commodity Clearing AG comprise as follows:

- revenue from stock exchange fees of TCZK 5 606 (2015: TCZK 4 979)

Revenues from Wiener Börse AG comprise as follows:

- revenues from stock exchange information sold of TCZK 605 (2015: TCZK 490)
- foreign exchange gains are not reported (2015: TCZK 1)

### 3.17.2. Purchases from related parties

2016 (in TCZK)					
Entity	Relation to the Company	Services	Operating expenses	Financial expenses	Total
Burza cenných papírů Praha, a.s.	shareholder – member of BCPP Group	4 759	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
<b>Total</b>		<b>5 605</b>	<b>227</b>	<b>7</b>	<b>5 839</b>

2015 (in TCZK)					
Entity	Relation to the Company	Services	Other expenses	Financial expenses	Total
Burza cenných papírů Praha, a.s.	shareholder – member of BCPP Group	5 565	11	6	5 582
Centrální depozitář cenných papírů, a.s.	shareholder – member of BCPP Group	3	0	0	3
Energy Clearing Counterparty, a.s.	member of BCPP Group	687	394	1 036	2 117
Wiener Börse AG	member of CEESEG Group	0	0	1	1
<b>Total</b>		<b>6 255</b>	<b>405</b>	<b>1 043</b>	<b>7 703</b>

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

- support services of TCZK 4 090 (2015: TCZK 4 635)
- lease of non-residential premises including lease-related services and lease of phone lines of TCZK 675 (2015: TCZK 941)
- foreign exchange loss of TCZK 1 (2015: TCZK 6)

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 46 (2015: TCZK 3)

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

- central counterparty services of TCZK 622 (2015: TCZK 687)
- payment of justified expenses of TCZK 221 (2015: TCZK 394)
- foreign exchange loss of TCZK 6 (2015: TCZK 1 036)

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

- fees for information services of TCZK 16 (2015: CZK 0)

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

- fees for trading clearing of TCZK 162 (2015: CZK 0)

Expenses incurred in relation to transactions with Wiener Börse AG are not reported (2015: TCZK 1)

#### 4. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES

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

2016	Average recalculated headcount	Total staff cost
Employees	7	13 239
<b>Total</b>	<b>7</b>	<b>13 239</b>

2015	Average recalculated headcount	Total staff cost
Employees	5	11 993
<b>Total</b>	<b>5</b>	<b>11 993</b>

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 289 (2015: TCZK 306).

##### 4.2. Loans, credits and other benefits provided

In 2016 and 2015, total personnel expenses and other benefits provided to members of statutory bodies amounted to:

2016	Exchange chamber	Total
Remuneration of the statutory bodies members	672	672
<b>Total</b>	<b>672</b>	<b>672</b>

2015	Exchange chamber	Total
Remuneration of the statutory bodies members	877	877
<b>Total</b>	<b>877</b>	<b>877</b>

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

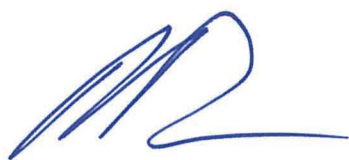
**5. CONTINGENT LIABILITIES**

The management of the Company is not aware of any significant unrecorded contingent liabilities as at 31 December 2016 and 31 December 2015.

**6. SUBSEQUENT EVENTS**

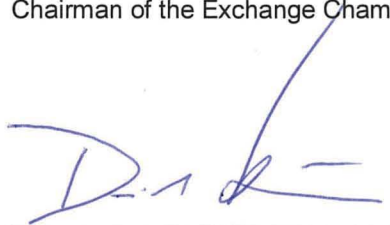
Company's management is not aware of any events that have occurred since the balance sheet date.

Prague, 10 March 2017



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Petr Koblík  
Chairman of the Exchange Chamber



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David Kučera  
General Secretary (Proxy)

## **Auditor's report on the financial statements and annual report**





**KPMG Česká republika Audit, s.r.o.**

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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 2016, and the income statement, 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 2016, 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 supervisory 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 2016, based on which this independent auditor's report has been prepared.

Prague  
10 March 2017

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

Vladimír Dvořáček  
Partner  
Registration number 2332

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