



cee stock exchange group



2012: Annual Report



POWER EXCHANGE
CENTRAL EUROPE

Table of Contents

Foreword by the General Secretary	2
Company Profile	3
2012 Highlights	4
Key Data	5
Trading	6
Social Responsibility	10
Information and Trading System	11
Financial Results	13
Exchange Bodies	14
List of Trading Participants	16
Report of the Supervisory Board	17
Report on Relationships	19
Financial Part	23
Auditor's Report on the Annual Report	42
Contact	44

Foreword by the General Secretary

Dear Ladies and Gentlemen,

The electricity market experienced another demanding year full of important events that had and will have a major impact on how our Exchange works. The trend established in the previous two years continues.

The most distinct development was the gradual decrease of wholesale prices. For example, the Czech base-load contract for 2013 began trading at EUR 50/MWh and concluded at EUR 43.85/MWh on the last trading day. At the same time, the gap between the German and Czech price began to narrow, and price volatility subsided, too. Another important tendency is the decrease between the base-load and peak-load price caused by the operation of photovoltaic power plants. These events resulted in a decrease in the overall traded volume of electricity.

Unfortunately, the price development is unfavourable for all market participants. Consumers cannot benefit from lower prices of electricity because the regulated portion of the price is increasing as a result of stronger support for renewable energy sources, while producers are not able to make substantial investments in energy sources because with the current price level and uncertainty on the market, most of the investments are considered impossible to recover.

The market situation results in lower interest of financial institutions in electricity trading, which was previously motivated by the need to hedge risks or by speculative motives. The structure of active traders underwent major changes in 2012. Classical energy producers and suppliers were the most active market players, while the influence of financial institutions abated, which had a negative impact on overall market liquidity.

The regulatory aspects of energy trading experienced important development as well. During the year, new legislation was being completed on market transparency, new information obligations of traders and compulsory settlement of certain transactions by clearing companies or on energy exchanges. These new EU-wide rules are still rather uncertain and will undergo final changes. However, they can significantly affect energy trades on the PXE in the future.

On the positive side, market coupling (i.e. a joint spot market for the Czech Republic, Slovakia and Hungary) was launched. PXE does not operate the spot market, but we believe that the joint market will increase the overall liquidity and quality of price formation in the participating countries, i.e. also on our Exchange.

The new year 2013 will also be challenging for PXE. In accordance with our long-term strategy of services compatible with the European standard, in 2011 we implemented Trayport, a new trading system. In view of our good experience, we plan to modify the settlement of trades in 2013. Last year, we agreed with European Commodity Clearing AG on cooperation in this area, which we hope will improve our services for trading participants and make the Czech market more attractive for foreign entities.

Thank you for your interest in PXE. I wish you a successful year in 2013.



David Kučera
General Secretary

Company Profile

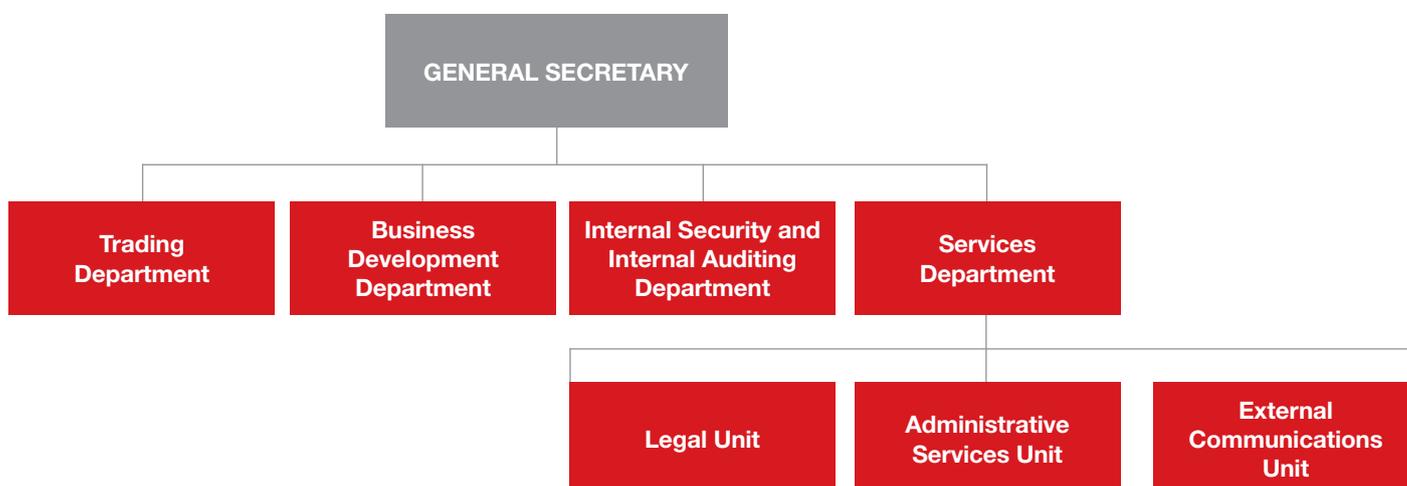
POWER EXCHANGE CENTRAL EUROPE, a.s. (PXE) was established on 8 January 2007 (as Prague Energy Exchange) and during the very first year of its existence became the most important energy exchange in the CEE region.

PXE offers unique services in the electricity market, such as anonymous trading of standardized products with guaranteed settlement. Moreover, just one account provides access to an electricity market with places of delivery in the Czech Republic, Slovakia and Hungary.

PXE and its parent company together with its other subsidiaries comprise the PX group. In addition to the PXE, the most important members in the group are Prague Stock Exchange (PSE) and Central Securities Depository Prague (CSD Prague). PSE is the largest and oldest securities market organizer in the Czech Republic. CSD Prague has the principal position in the settlement of securities trades on the Czech capital market, maintains the central register for dematerialized securities issued in the Czech Republic, and assigns international securities identification numbers (ISIN) to investment instruments.

PXE is a member of the CEE Stock Exchange Group (CEESEG), which also includes PSE, CSD Prague and three other Central European stock exchanges: the Vienna Stock Exchange (Wiener Börse), Budapest Stock Exchange (Budapesti Értéktőzsde) and Ljubljana Stock Exchange (Ljubljanska borza).

Company Organizational Structure



2012 Highlights

4 January 2012

With effect from this date, the trading hours for all futures contracts were prolonged: from 8 a.m. to 4:30 p.m. (previously from 9 a.m. to 4 p.m.). Consequently, the publication of trading results was moved back from 5 p.m. to 5:15 p.m.

1 February 2012

As OTE, a.s., the organizer of the electricity market, introduced negative prices, the negative price for settlement purposes was implemented in the PXE settlement system in cooperation with OKTE, a.s., the market organizer in Slovakia. Furthermore, we introduced the possibility to enter zero or negative prices for orders in the PSE trading system, which provides access to the day-ahead market organized by OTE, a.s.

19 March 2012

Trading in new product types was initiated: Hungarian and Slovak futures contracts with financial settlement.

31 March 2012

The trades involving hourly products with place of delivery in Hungary via the trading system of EXAA (Abwicklungsstelle für Energieprodukte AG) were discontinued as of this day.

11 September 2012

The Czech, Slovak and Hungarian day-ahead electricity markets were interconnected based on the principle of implicit capacity allocation – a trilateral market coupling.

29 October 2012

PXE became a new partner exchange of the European Commodity Clearing (ECC). According to the co-operation agreement between the two companies, ECC plans to begin its activities as the central counterparty for PXE at the end of the first quarter of 2013.

ECC will settle and clear Czech, Slovak and Hungarian power futures traded on PXE. In addition, ECC will also offer OTC clearing for those products. As a further part of the future cooperation, ECC will secure financial settlement of the Czech power spot market transactions which PXE offers together with OTE, the Czech transmission system operator.

Key Data

	2012	2011	2010	2009
Number of exchange days	252	253	253	251
FUTURES				
Trading volume (MWh)	19,826,705	24,343,699	24,306,334	28,939,305
Of which: BASE LOAD	19,198,301	23,972,119	23,589,934	27,265,545
PEAK LOAD	628,404	371,580	716,400	1,673,760
Trading volume (EUR million)	943.613	1,327.433	1,171.374	1,396.113
Of which: BASE LOAD	906.719	1,301.863	1,126.812	1,285.964
PEAK LOAD	36.894	25.570	44.562	110.149
Number of contracts (MW)	7,775	8,693	7,572	12,083
Of which: BASE LOAD	6,709	7,878	6,533	9,593
PEAK LOAD	1,066	815	1,039	2,490
Number of trades	1,204	1,242	2,238	3,178
Of which: BASE LOAD	1,031	1,137	1,965	2,640
PEAK LOAD	173	105	273	538
Average daily volume (MWh)	78,677.40	96,220.15	96,072.47	115,296.04
Of which: BASE LOAD	76,183.73	94,751.46	93,240.85	108,627.67
PEAK LOAD	2,493.67	1,468.70	2,831.62	6,668.37
SPOT				
Trading volume (MWh)	–	31,355	83,712	240
Trading volume (EUR million)	–	1,656	3,852	0.017
Number of contracts (MW)	–	1,315	3,863	10
Number of trades	–	113	816	2

Trading

In 2012 there were 252 exchange days on PXE, specifically all business days from 1 January to 31 December 2012. Non-exchange days included public holidays (9 April, 1 and 8 May, 5 and 6 July, 28 September, 24, 25 and 26 December).

The following contracts were traded in 2012:

- a) futures contracts with physical settlement and with place of delivery in the Czech electricity network (CZ), Slovak electricity network (SK) and Hungarian electricity network (HU);
- b) futures contracts with financial settlement and with the price for the CZ, SK and HU electricity, specified in the market coupling of the respective markets, serving as an underlying asset.

Two companies acted as official market makers in 2012. Of which:

- ČEZ, a. s., as a general market maker for CZ futures with financial settlement;
- GDF Suez Trading as a market maker for CZ futures with financial settlement;
- several other trading participants supported market liquidity by regularly sending their quotes (offers to buy and sell) for selected CZ, HU and SK products.

Products traded in 2012

For CZ futures with financial settlement, HU futures with physical and financial settlement, and SK futures with physical and financial settlement, regular contracts were offered during 2012 to make it possible to trade at least in:

- the next 3 whole calendar years;
- the next 4 whole calendar quarters;
- the next 6 whole calendar months.

For CZ futures with physical settlement, regular contracts were offered during 2012 to make it possible to trade at least in:

- the next 1 whole calendar year;
- the next 2 whole calendar quarters;
- the next 3 whole calendar months.

All the products above were listed both as base load delivery and as peak load delivery. Note: Base load – constant delivery 24 hours a day, 7 days a week; peak load – delivery 12 hours a day (8 a.m. to 8 p.m.), 5 days a week (Monday through Friday).

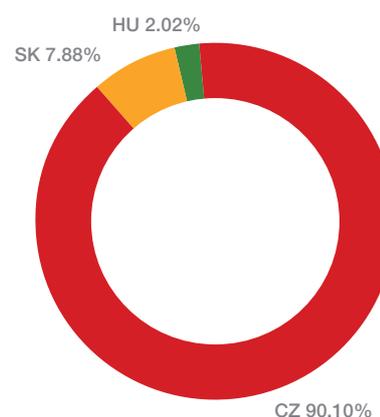
Hourly products with the place of delivery in CZ are not listed directly as exchange products but as a subject of trading on the OTE Day-Ahead Market, where offers for sale and purchase can be entered using the PXE system.

The Results and Development of Trading in 2012

In 2012 a total of 1,204 trades with the total value of 19.83 TWh were concluded in the PXE system.

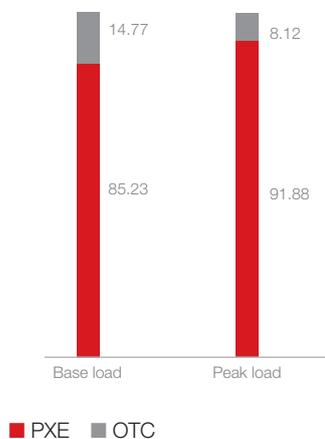
From the perspective of the place of delivery, the share of trades with CZ and SK products increased in particular at the expense of the trading volumes of HU products. The percentages of various locations are shown in the following diagram.

Share of trading volume by place of delivery (in %)



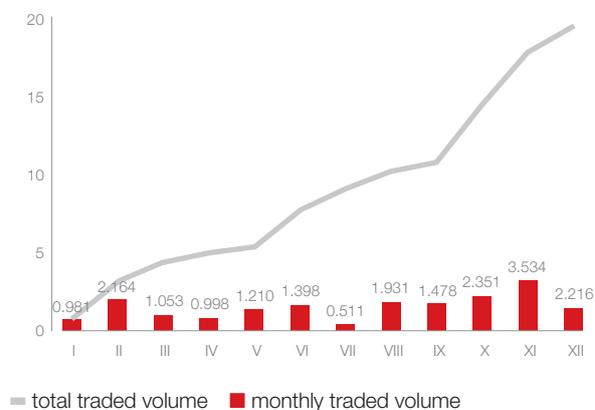
Each trading participant can anonymously conclude trades in the PXE system while observing the stipulated rules and regulation mechanisms; at the same time, the trader may also use the PXE system to register and subsequently settle trades concluded outside PXE (OTC clearing). The following diagram depicts the volume of registered OTC trades broken down into base load delivery and peak load delivery.

Share of OTC clearing in total trades (in %)



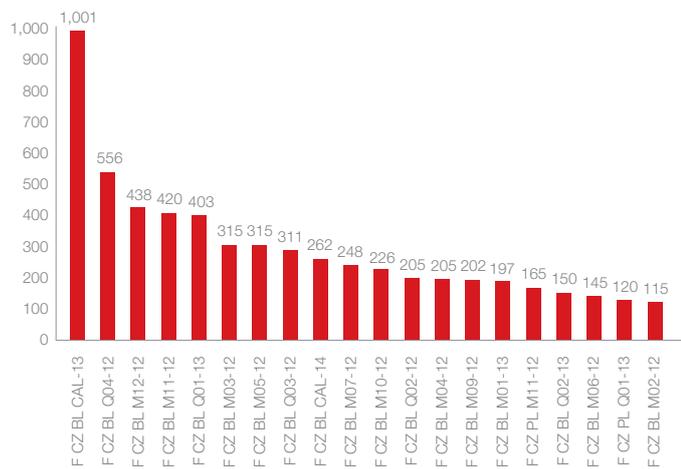
Monthly trading volumes ranged from 0.5 TWh (July) to approximately 3.5 TWh (November) in 2012. The largest trading volume in terms of MWh was achieved on 6 November 2012 – 441,170 MWh. The greatest number of trades was recorded on 27 November 2012 – 19 trades. The highest number of traded contracts (MW) was attained on 27 April 2012 – 170 MW. The development of trading volumes in 2012 is shown in the diagram below.

Overall and monthly trading volumes (in TWh)

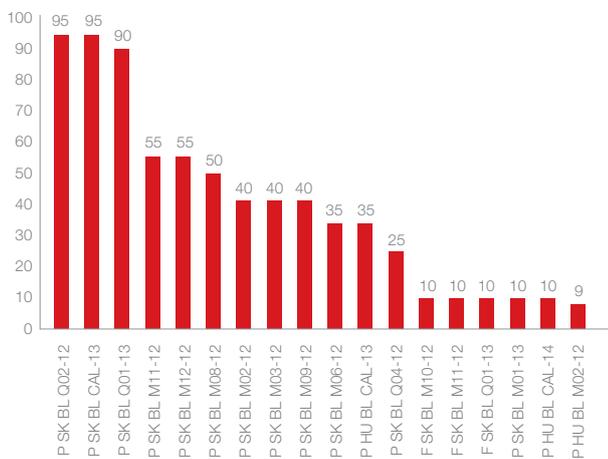


As in preceding years, 2012 also saw a prevalence of trades with base load delivery products over peak load delivery products. The most traded products with the place of delivery in CZ, SK and HU were base load annual deliveries for 2013 (financial settlement for CZ and physical settlement for HU). For products with delivery in Slovakia, the most traded products were Q02 base load products and annual base load products for 2013 (with physical settlement). There were 1,001 contracts for CZ electricity, 95 contracts for SK – Q02 product, 95 contracts for annual delivery in 2013, and for HU there were 35 contracts. Specific data on trades in various products are shown in the following two diagrams.

The most traded CZ products (in MW)

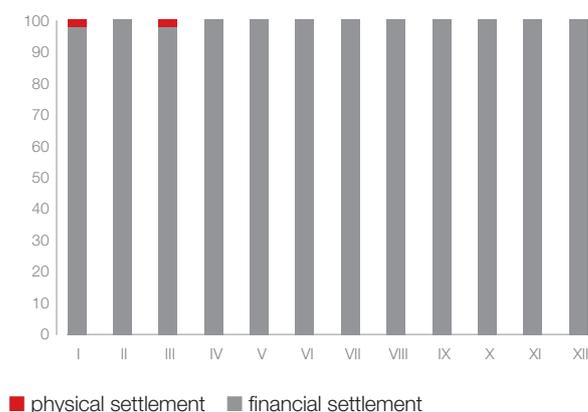


The most traded HU and SK products (in MW)



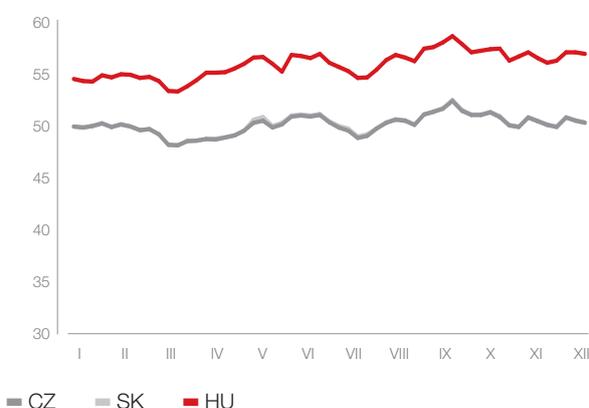
Although PXE offers its participants the possibility to trade in CZ commodity futures with financial as well as physical settlement (i.e. they can choose between physical delivery during the corresponding delivery period and between financial settlement of price differences), trades in contracts with financial settlement were clearly predominant in 2012.

Breakdown of trades in CZ products by settlement type (in %)



The development of electricity prices in 2012 was accompanied by a downward market trend. Electricity was significantly impacted by the continued slowdown of global economies, the development of renewable energy sources, the excess supply of electricity and by the falling prices of CO₂ allowances, which are all reflected in the price of electricity and its surplus in the EU. The Czech contract with next year delivery (CAL-13) reached its maximum (EUR 52.35 per MW) on 27 February 2012 and its minimum (EUR 43.85 per MW) on 28 December 2012.

Price development of base load annual delivery (in EUR/MWh)



Note: On a clear majority of exchange days, the SK delivery has a rate identical to the CZ delivery and therefore the SK electricity price curve is not very noticeable.

Product (base load)	Annual max (EUR/MWh)	Annual min (EUR/MWh)	Average price (EUR/MWh)
2013 CZ	52.35	43.85	47.95
2013 SK	52.45	44.45	48.44
2013 HU	59.15	49.80	55.94

Social Responsibility

The PX Group also continued its sponsorship activities in 2012. Capital market experts traditionally invite high school and university students to the Exchange building and explain how the Prague Stock Exchange operates. The Exchange is visited by approximately one thousand young people each year. PX representatives also give regular lectures at universities.

As in previous years, the PX Group supported the Mental Power Prague Film Festival, an international film festival of (non)actors with mental and multiple disabilities that enables handicapped people to enter the world of film. The main idea of the festival is to create conditions for the artistic expression of disabled people and to contribute to their intellectual development.

In addition, we initiated work with the civic association Let's Give Children a Chance, which obtained the proceeds from a charity bowling tournament organized by the companies from the PX Group. The donation supported the "Help Me Start My Life" project – a contribution to children in orphanages. The project focuses on children who will leave their orphanage after reaching adulthood or after graduation. The project will help them find a suitable job, housing, etc.

The PX Group will have good foundations to build on in the next year and will be happy to support further charity projects.

Information and Trading System

In 2012, the IT division focused on the implementation and launch of the Xetra® trading system and its interconnection with the existing system, particularly with the settlement systems, with reports for the Czech National Bank (ČNB) and the website of the Exchange. For POWER EXCHANGE CENTRAL EUROPE (PXE), the IT division had to address the issue of negative prices. Moreover, there was extensive development and replacement of the technological and security infrastructure of the PX systems with a focus on the enhancement of availability and the security of information systems and data.

The most important task of the IT division was to permit the input of negative prices in purchase/sale orders for electricity as required by OTE (operator of the spot electricity market). Thanks to this, a negative trade price can be determined, and the spot price index can be negative, too, which has an impact on the settlement of trades in electricity futures products. The IT division adapted the settlement system for PXE trades and the input of orders in OTE so that such issues are handled correctly.

Once again, with the large number and complexity of projects, 2012 was a year full of technological changes for the IT division. These especially include: continuation of the Desktop Virtualization project. The main focus was on ensuring high accessibility when switching operation from the main location to the backup location. This was achieved at the end of the year, and virtualization is expected to be introduced in other CSD divisions in 2013.

As part of the Server Virtualization project, the migration of application servers from older technologies was completed in 2012. The vast majority of new application servers are placed on this new platform, which brought high speed and flexibility to the implementation of new requests and changes. In addition, it provided high accessibility, streamlined administration and a significant decrease in costs when implementing new application servers and their backups.

At the end of the year, a call recording system was deployed on selected lines. The objective is to track phone requests and instructions in case there are disputes related to their execution.

In the second half of the year, the resources of the IT division were partly dedicated to the use of e-mail in the cloud. The Google Apps and Microsoft Office 365 systems were tested, and the migration of own data was partly verified. A decision on the selection of the system will be made at the beginning of 2013. The objective of the project is to transition from the currently used proprietary solution on the Lotus Domino/Notes platform to a cloud solution that should enhance the flexibility and availability of these services from any device and location.

The IT division paid great attention to security.

In the middle of the year, the independent Wi-Fi network was expanded for other users and its technical parameters and security were increased. This network is increasingly important for connecting users from the holding to the Internet.

In the second half of the year, we implemented a system for the behavioural analysis of events occurring in the communication network of the holding. The purpose of this system based on "business intelligence" is the processing and evaluation of all flows in the network with the objective of identifying and evaluating anomalous behaviour in the network that can indicate dangerous conduct or activities which standard signatures would not uncover. The system thus suitably complements the existing security elements.

As part of the Audit SW project, we performed operational testing of an application that scans the software installed on devices more efficiently and regularly evaluates the condition of the licensed software with the help of the list of purchased licences. Computer scanning and tracking of purchased software is performed regularly, and the overview of software is available to users on their SW cards.

In connection with the massive expansion of “smart” mobile devices, we selected, tested and, in the last quarter, deployed a system for the management of mobile devices. This system makes it possible to manage devices with various IOS and Android operating systems remotely, to monitor mobile devices and, for example, to disconnect them in case of violation of corporate security policies, or to delete content from them.

In 2012 work continued on the development of a new system for the automated collection and assessment of operating and security events from various systems and equipment (the log concentrator). The main effort was related to troubleshooting in connection with log collection when switching to a virtual platform of the evaluation system. Furthermore, we worked on connecting this system with the main business platform IBM iSeries and the behavioural analysis system. These initiatives will be completed in the first half of 2013.

To track operational and security events and incidents, the holding used a purchased application. As the supplier is only able to perform the requested changes to a limited extent, the IT division created a new application to fully replace the original one (including data migration) and which makes it possible to respond to other user requests better and faster. The application was deployed in December 2012. Another advantage of this system is the versatility of the software technologies that will be used for the development of further applications for the electronic circulation and approval of internal documents.

The technology of the certification authority was upgraded in the 4th quarter. The upgrade also required the modernization of HW modules for storing private keys. This way, the PX holding secures compliance with maximum security requirements for the protection of the main authentication elements.

Penetration tests performed by an external company at the very end of the year did not identify any serious deficiencies regarding Internet connection security.

Financial Results

Income Statement

(in CZK thousand)	2012	2011	2010
Revenues from business activities	45,454	49,763	49,629
Operating expenses	37,730	37,719	45,444
Operating profit	7,724	12,044	4,185
Net financial income/expenses (-)	(278)	2,679	(2,139)
Profit before income tax	7,446	14,723	2,046
Income tax expense	1,574	3,157	1,201
Net profit	5,872	11,566	845

Statement of Changes in Equity and Financial Position

(in CZK thousand)	2012	2011	2010
Share capital	60,000	60,000	60,000
Shareholder's equity	67,258	76,686	65,120
Statutory reserve fund	1,327	748	705
Retained earnings	5,931	15,938	4,415
Earnings per share (in CZK)	97,867	192,767	14,083

Exchange Bodies

The General Meeting of Shareholders is the supreme body of PXE. The General Meeting of Shareholders is attended by the company founders, i.e. Prague Stock Exchange (represented by Petr Kobic, Chief Executive Officer), Central Securities Depository Prague (represented by Petr Kobic, Board of Directors Chairperson), and CENTRAL COUNTERPARTY, a.s. (represented by Helena Čacká, sole Board of Directors member). The Exchange Chamber is the second most important body of the Exchange. Specialists from a number of companies and government institutions work in committees and participate in the activities of PXE. Mr David Kučera, General Secretary, is in charge of the activities of PXE.

Exchange Chamber

Number of Meetings in 2012: 3

23 April 2012

10 September 2012

17 December 2012

Chairperson of the Exchange Chamber and Chief Executive Officer of the Prague Stock Exchange:

Petr Kobic

Date of birth: 22 February 1971

Holding this position since: 1 July 2009

Membership since: 1 July 2009

Vice-Chairperson of the Exchange Chamber and Chief Executive Officer of the Central Securities Depository Prague:

Helena Čacká

Date of birth: 25 January 1956

Holding this position since: 1 July 2009

Membership since: 1 July 2009

Exchange Chamber member:

Bohumil Havel

Date of birth: 10 September 1975

Membership since: 1 July 2009

Proxy, General Secretary of PXE:

David Kučera

Date of birth: 29 September 1968

Changes during the year:

none

Trading Committee

The Trading Committee is an association of selected market participants who recommend adjustments to the PXE trading system and trading rules.

Members as of 31 December 2012:

ALPIQ ENERGY SE	Karel Kadlec
Amper Market, a.s.	Jan Palašćák
Axpo Trading AG (formerly EGL AG)	Georg Varadi
Citigroup Global Markets Limited	Stefan Hristov
Czech Coal a.s.	Zdeněk Fousek
Česká spořitelna, a.s.	Jakub Židoň
ČEZ, a. s.	Michal Skalka
Dalkia Česká republika, a.s.	Pavel Luňáček
Deutsche Bank AG (DB Energy Commodities Limited)	Sevastos Kavanozis
Energetický a průmyslový holding, a.s.	František Čupr
Ezpada s.r.o.	Dušan Bahula
GEN-I, trgovanje in prodaja (električne energije, d.o.o.)	Sandor Gyulay
Morgan Stanley Capital Group Czech Republic, s.r.o.	Jozef Miskuf
Pražská energetika, a.s.	Michal Korynta
Repower Trading Česká republika s.r.o.	Jozef Zuba
Slovenské elektrárne, a.s. – organizační složka	Šárka Vinklerová
SSE CZ, s.r.o.	Ján Pišta
Statkraft Markets GmbH	Adrian Ivanov
Vattenfall Energy Trading GmbH	Steffen Herkner

Clearing and Risk Management Committee

Composed of trading participants, representatives of clearing banks and the settlement institution, the Clearing and Risk Management Committee is a body that proposes the principles and rules of trade settlement.

Members as of 31 December 2012:

Centrální depozitář cenných papírů, a.s.	Helena Čacká
Citibank Europe plc, organizační složka	Jaromír Javůrek
Česká spořitelna, a.s.	Pavel Kovalčík
Československá obchodní banka, a. s.	Jaroslav Záruba
ČEZ, a. s.	Martina Suchánková
Komerční banka, a.s.	Zdeněk Lust
Raiffeisenbank a.s.	Jiří Hloušek
UniCredit Bank Czech Republic, a.s.	Filip Veselý

Strategic Committee

The Strategic Committee was suspended in 2012.

Security Committee and Internal Audit Committee

Based on an overall analysis, or a re-evaluation of requirements for information security conducted in 2011, the Security Committee focused on compliance with the principles and objectives of the security policy, implementation of security principles in practice, and the minimization of risks included on the risk map.

The priorities of the Committee included optimization of access to the services of the trading and settlement system as well as to the register of securities. For this purpose, the architecture of access rights by various employees was documented in detail, procedures for supervision of access right setting were prepared as data tables or options in application menus, and the access of employees and external parties to confidential data and information was restricted. In the case of internal access to services, monitoring of their use was deployed. In connection with the approach to access, the Committee started analysing various applications to streamline the scope of tracked data and information and to enhance the functionality of the application.

The Security Committee gradually evaluated and approved the proposed security policies for development projects (e.g. the integration of mobile devices in the corporate environment, the use of cloud services, the certification policy, a wireless access network).

The Committee approved and implemented a number of measures to enhance the business continuity of the PX holding, to improve the internal control of information systems, to introduce a system of managed change process and to increase the security awareness of the staff.

In 2012, no security incident (violation of confidentiality or integrity of information) was reported.

The internal audit division and the Internal Audit Committee focused on verifying the compliance of actual information security with the policy of the PX holding and with the requirements of the Czech National Bank for the security of the information system, as well as on verifying the compliance of the content and scope of activities secured by various divisions with the rules (generally binding regulations, Exchange Rules, CSD Rules, etc.). The Committee continuously evaluated the implementation of troubleshooting measures.

Private and trading officers, exchange court of arbitration

PXE trading officers:

Lukáš Melichar
Jana Horová
Tomáš Krejčí

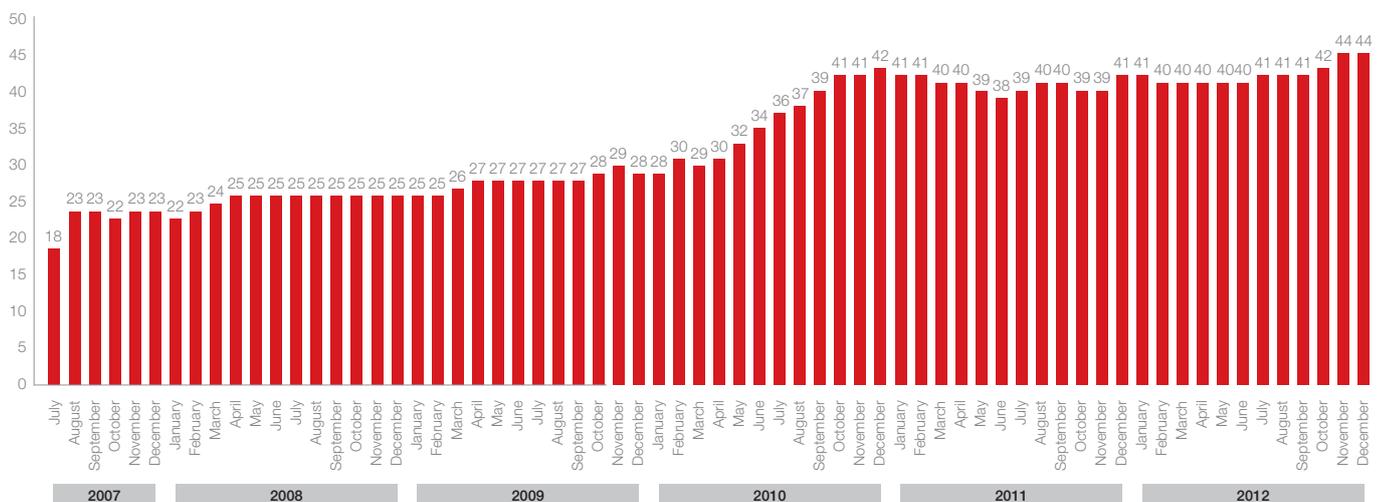
Private officers do not operate on the PXE, and there is no exchange court of arbitration.

List of Trading Participants

Members as of 31 December 2012:

ALPIQ ENERGY SE
 Amper Market, a.s.
 Axpo Trading AG (formerly EGL AG)
 B.E.K. Group CZ s.r.o.
 BOHEMIA ENERGY entity s.r.o.
 CARBOUNION BOHEMIA, spol. s.r.o.
 CITIGROUP GLOBAL MARKETS LIMITED, organizační složka
 Czech Coal a.s.
 Česká spořitelna, a.s.
 ČEZ, a. s.
 Dalkia Commodities CZ, s.r.o.
 Dalkia Česká republika, a.s.
 DB Energy Commodities Limited, organizační složka
 EDF Trading Limited – organizační složka
 Edison Trading S.p.A. – organizační složka
 ENEL Trade S.p.A. organizační složka
 E.ON Energy Trading SE, organizační složka
 Europe Easy Energy a.s.
 Ezpada s.r.o.
 Gazprom Marketing & Trading Limited, organizační složka
 GDF SUEZ TRADING, organizační složka
 GEN-I, trgovanje in prodaja električne energije, d.o.o.
 GOLDMAN SACHS INTERNATIONAL, organizační složka
 Holding Slovenske elektrarne d.o.o.
 J.P. Morgan Energy Europe s.r.o.
 Lumius, spol. s r.o.
 MAGNA E.A. s.r.o.
 Mercuria Energy Trading SA, organizační složka
 Merrill Lynch Commodities (Europe) Limited – organizační složka
 Morgan Stanley Capital Group Czech Republic, s.r.o.
 Morgan Stanley & Co. International plc
 Österreichische Elektrizitätswirtschafts AG
 PB Power Trade, a.s. organizační složka
 Pražská energetika, a.s.
 První energetická a.s.
 Repower Trading Česká republika s.r.o.
 RWE Supply & Trading GmbH
 Slovenské elektrárne, a.s. – organizační složka
 Statkraft Markets GmbH, organizační složka
 Stredoslovenská Energetika, a.s.
 TEI Deutschland GmbH, organizační složka
 TINMAR-IND S.A., organizační složka
 Vattenfall Energy Trading GmbH, organizační složka
 V-Elektra, s.r.o.
 VEMEX Energie a.s.

Development in the number of traders on the PXE



Minutes No. 16

of the Meeting of the Supervisory Board of
POWER EXCHANGE CENTRAL EUROPE, a.s.
held on 11 April 2013

The meeting opened at 4:28 p.m. and was attended by Mr Opletal (chairperson of the Supervisory Board) and members Mr Horáček and Mr Marek.

- Agenda:
1. Report of the Supervisory Board for 2012
 2. Discussion of the Report of the Board of Directors on Relationships between Affiliated Undertakings
 3. Discussion of the Report on the Financial Results, including the Auditor's Report and the Proposal for the Distribution of Profits
 4. Miscellaneous
1. The Supervisory Board prepared this Report on the Activities of the Supervisory Board for 2012 and will submit it to the general meeting. The Supervisory Board met four times in 2012. At meetings No. 11 to 15, it discussed the following issues in 2012:
- Trading results for 2012
 - Financial results for 2012, including the Auditor's Report and the Proposal for the Distribution of Profits
 - Discussion of strategy, in particular the divestiture of the clearing
 - Information on the development of VAT payments
 - Information on the cash flow of PXE
 - Information on exchange rate differences
 - Discussion of the Report on Relationships between Affiliated Undertakings
 - Discussion of the Report on the Financial Results, including the Auditor's Report and the Proposal for the Distribution of Profits for 2012
 - Discussion of the tax shield for PSE Group
 - Discussion of exchange rate risks
 - Discussion of the status of central counterparties
 - Discussion of trading results
 - Discussion of financial results
 - Discussion of diversification into gas product trading
 - ECC
 - Discussion of financial results and budget information for 2013
 - Discussion of diversification into gas product trading

- HUPX and their data
2. The Supervisory Board of POWER EXCHANGE CENTRAL EUROPE, a.s. reviewed the Report of the Board of Directors on Relationships between Affiliated Undertakings in Fiscal Year 2012, in which Burza cenných papírů Praha, a.s. is stated as the controlling undertaking and POWER EXCHANGE CENTRAL EUROPE, a.s. as the controlled undertaking. The affiliated undertakings include CENTRAL COUNTERPARTY, a.s., Centrální depozitář cenných papírů, a.s., Energy Clearing Counterparty, a.s. and Central Clearing Counterparty, a.s. The Controlling Undertaking holds a 100% stake in Central Securities Depository, CCP, CCC, and EnCC. The Controlling Undertaking holds a 33.3% stake in PXE; indirectly, the Controlling Undertaking controls the remaining 66.7% (33% through the Central Securities Depository and 33% through CCP). The Supervisory Board did not identify any circumstances that would suggest that during fiscal year 2012 POWER EXCHANGE CENTRAL EUROPE, a.s. acted – in relation to the controlling undertaking or other affiliated undertakings – in conflict with the generally binding legal regulations, the Articles of Association or the decisions of the sole shareholder, and the Supervisory Board therefore recommends that Burza cenných papírů Praha, a.s., acting as the sole shareholder of POWER EXCHANGE CENTRAL EUROPE, a.s., approve the report.
 3. The Supervisory Board discussed the Report on the Financial Results for 2012. The Supervisory Board also studied the auditor's methods and the Auditor's Report for the Shareholders of POWER EXCHANGE CENTRAL EUROPE, a.s. prepared by KPMG Česká republika Audit, s.r.o.
 4. The Supervisory Board recommends that the report be approved by Burza cenných papírů Praha, a.s. as the sole shareholder. The Board also recommends the approval of the regular Financial Statements and the Board of Directors' proposal for the distribution of profit in the form of a dividend amounting to CZK 93,000 per share with a nominal value of CZK 1 million. The Supervisory Board recommends that any profit eligible for distribution after the statutory allocation to the reserve fund be distributed so that the dividend is rounded to the nearest thousand.
 5. The Supervisory Board discussed the strategic plans of PXE in gas and transition to ECC in March 2013. At today's meeting, it will only comment on issues submitted by the Exchange Chamber to the General Meeting.

The date of the next meeting of the Supervisory Board will be determined by the Supervisory Board's chairperson as required.

Prague, 11 April 2013

The meeting was closed at 4:37 p.m.

Prague, 11 April 2013

Jiří Opletal, Chairperson of Supervisory Board



Report on Relationships between Controlling and Controlled Undertaking and Relationships between Controlled Undertaking and other Undertakings Controlled by the Same Controlling Undertaking in Fiscal Year 2012

In accordance with the provisions of Art. 66a (9) of Act 513/1991 Coll., the Commercial Code, as amended (hereinafter the "ComCo"), the Exchange Chamber of **POWER EXCHANGE CENTRAL EUROPE, a.s.** hereby issues this Report on the Relationships between

Controlling Undertaking **Burza cenných papírů Praha, a.s.**, with its registered office at Rybná 14/682, Prague 1, ID No.: 47115629, entered in the Commercial Register kept on file at the Municipal Court in Prague, Section B, Insert 1773 (hereinafter the "Controlling Undertaking" or "Prague Stock Exchange")

and

Controlled Undertaking **POWER EXCHANGE CENTRAL EUROPE, a.s.**, with its registered office at Rybná 14, Prague 1, ID No.: 27865444, entered in the Commercial Register kept on file at the Municipal Court in Prague, Section B, Insert 15362 (hereinafter the "Controlled Undertaking" or "PXE")

for the 2012 fiscal year.

CEESEG Aktiengesellschaft, with its registered office at Wallnerstraße 8, Vienna 1010, entered in the Commercial Register maintained by Handelsgericht Wien, FN 161826 f, is the parent company of the Controlling Undertaking. The Exchange Chamber is aware neither of any contractual relationship between the author of this report and the parent company of the Controlling Undertaking, nor of any performance based on another deed in 2012.

The report also provides information on the relationships between the Controlled Undertaking and other affiliated undertakings. These are:

- **Centrální depozitář cenných papírů, a.s.**, with its registered office at Rybná 14, Prague 1, ID No.: 25081489, entered in the Commercial Register kept on file at the Municipal Court in Prague, Section B, Insert 4308 (hereinafter the "Central Securities Depository")

- **CENTRAL COUNTERPARTY, a.s.**, with its registered office at Rybná 14/682, Prague 1, ID No.: 27122689, entered in the Commercial Register kept on file at the Municipal Court in Prague, Section B, Insert 9145 (hereinafter "CCP");

- **Central Clearing Counterparty, a.s.**, with its registered office at Rybná 14/682, Prague 1, ID No.: 28381696, entered in the Commercial Register kept on file at the Municipal Court in Prague, Section B, Insert 14224 (hereinafter "CCC");

- **Energy Clearing Counterparty, a.s.**, with its registered office at Rybná 682/14, Prague 1, ID No.: 28441681, entered in the Commercial Register kept on file at the Municipal Court in Prague, Section B, Insert 14531 (hereinafter "EnCC").

The Controlling Undertaking holds a 100% stake in Central Securities Depository, CCP, CCC, and EnCC. The Controlling Undertaking holds a 33.33% stake in PXE; indirectly, the Controlling Undertaking controls the remaining 66.7% (33.33% through the Central Securities Depository and 33.33% through CCP).

The report provides a list of agreements entered into between these undertakings during the 2012 fiscal year, other legal steps between the affiliated undertakings in their interest, and a list of all measures adopted or executed by the Controlled Undertaking in the interest of or upon request from such undertakings.

The report is issued in writing and is included in the Annual Report, in accordance with the applicable regulations.

Agreements

The business relationships between the Controlling and Controlled Undertakings were regulated by the following agreements during the 2012 fiscal year; on the basis of the agreements the following payments were made to the Controlling Undertaking:

Agreement entered into on	Agreement title	Description	Payments (including VAT)
1 January 2009	Agreement on the Sublease of Non-Residential Premises, in the wording of Amendment 2 dated 1 July 2011	Sublease	TCZK 1,018
30 September 2011	IT Service Agreement	Technical support for the operation of the trading and settlement system	TCZK 6,987
28 September 2012	Service Agreement	Agreement for the provision of service intermediation for implementation of the new XETRA trading system	TCZK 375

Furthermore, expenses were re-invoiced between these two entities for consultancy services, telephone fees, the insurance of statutory bodies and liability arising from activities, staff training and the use of a time stamp, provided by the Prague Stock Exchange. The re-invoiced expenses amounted to TCZK 37, incl. VAT. In addition, as of 31 December 2012, PXE claims a debt amounting to TCZK 219 payable by the Prague Stock Exchange, relating to the clearing of VAT for 2012.

The business relationships between Central Securities Depository and the Controlled Undertaking were regulated by the following agreements during the 2012 fiscal year; on the basis of the agreements the following payments were made:

Agreement entered into on	Agreement title	Description	Payments (including VAT)
4 July 2007	Agreement on the Provision of Services related to the Clearing of Trades Concluded at PXE	Provision of clearing for PXE	TCZK 3,357
30 January 2012	Loan Agreement	Provision of a short-term loan in the amount of MCZK 32	Annual PRIBOR +0.75% p.a. of the new loan Applicable PRIBOR+0.85% p.a. of the additional loan TCZK 728

Furthermore, expenses were re-invoiced between these two entities for a foreign business trip of Mr. Kobic amounting to TCZK 5 provided by Central Securities Depository.

The business relationships between the CCP and the Controlled Undertakings were regulated by the following agreements during the 2012 fiscal year:

Agreement entered into on	Agreement title	Description	Payments (including VAT)
1 September 2007	Agreement on the Provision of Services of the Central Counterparty in Connection with Trades Concluded at the PXE, as amended by Amendment No. 1 of 1 October 2008	Provision of Central Counterparty services.	TCZK 533
10 February 2009	Loan Agreement	Provision of a short-term revolving loan for the purpose of payment of VAT to the suppliers of electrical power to PXE, up to the amount of MCZK 300, with the solidarity of the creditors Central Securities Depository, PXE and Prague Stock Exchange. Share of PXE – credit line of MCZK 30	Annual PRIBOR (EURIBOR) + 0.75% p.a. TCZK 38

The business relationships between CCC and the Controlled Undertaking were regulated by the following agreements during the 2012 fiscal year; on the basis of the agreements the following payments were made:

Agreement entered into on	Agreement title	Description	Payments (including VAT)
1 October 2008	Agreement on the Provision of Services of the Central Counterparty in Connection with Trades Concluded at PXE	Provision of Central Counterparty services.	TCZK 280
24 June 2009	Loan Agreement	Provision of a short-term revolving loan for the purpose of payment of VAT to the suppliers of electrical power to PXE, up to the amount of MCZK 100, with the solidarity of the creditors Central Securities Depository, PXE, and Prague Stock Exchange. Share of PXE - credit line of MCZK 10	Annual PRIBOR (EURIBOR) + 0.75% p.a.

The business relationships between EnCC and the Controlled Undertaking were regulated by the following agreements during the 2012 fiscal year; on the basis of the agreements the following payments were made:

Agreement entered into on	Agreement title	Description	Payments (including VAT)
27 February 2009	Agreement on the Provision of Services of the Central Counterparty in Connection with Trades Concluded at PXE	Provision of Central Counterparty services	TCZK 207 settlement of expenses incurred in connection with the implementation of trades on the Day-ahead Market of OTE and PXE, i.e. TCZK 854
30 March 2009	Loan Agreement	Provision of a short-term revolving loan for the purpose of payment of VAT to the suppliers of electrical power to PXE, up to the amount of MCZK 150, with the solidarity of the creditors Central Securities Depository, PXE, and Prague Stock Exchange. Share of PXE - credit line of MCZK 15	Annual PRIBOR (EURIBOR) + 0.75% p.a. TCZK 422

Legal Acts and other Measures

In 2012, the Controlled undertaking held three General Meetings.

The 21st General Meeting discussed and approved the loan to Central Securities Depository and amended the Trading Rules.

The 22nd General Meeting decided on

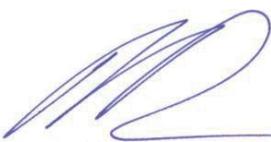
- Approval of the Exchange's 2011 regular financial statements,
- Approval of the proposed distribution of profit posted in 2011,
- Approval of the 2011 Report of the Supervisory Board,
- Appointment of the auditor.

The 23rd General Meeting decided to appoint Petr Kobic and Helena Čacká as members of the Exchange Chamber.

No other measures or legal actions were adopted or executed between the undertakings concerned.

The Exchange Chamber of PXE declares that the Controlled Undertaking did not suffer any detriment from the agreements specified above, other measures and steps, or from any other performance accepted or provided.

Prague, on 28 March 2013



.....
Petr Kobic
Exchange Chamber Chairperson



.....
Helena Čacká
Exchange Chamber Vice-Chairperson

Financial Part

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 as at 31 December 2012

(in CZK thousand)

ASSETS	31 December 2012		31 December 2011	
	Gross	Adjustment	Net	Net
TOTAL ASSETS	76,406	2,715	73,691	84,736
A. Receivables for subscribed registered capital	-	-	-	-
B. Fixed assets	3,521	2,715	806	1,583
I. Intangible fixed assets	3,126	2,433	693	1,410
1. Incorporation expenses	1,120	1,120	-	94
3. Software	2,006	1,313	693	1,316
II. Tangible fixed assets	395	282	113	173
3. Property, plant and equipment	395	282	113	173
C. Current assets	72,247	-	72,247	82,634
II. Long-term receivables	2,153	-	2,153	2,887
5. Long-term advances paid	2,042	-	2,042	2,382
8. Deferred tax asset	111	-	111	505
III. Short-term receivables	55,838	-	55,838	71,014
1. Trade receivables	18	-	18	76
3. Receivables – associated companies	2,913	-	2,913	32,404
4. Receivables from shareholders/owners/alliances	-	-	-	883
6. Tax receivables	1,119	-	1,119	3
7. Short-term advances paid	783	-	783	7
8. Estimated receivables	49	-	49	-
9. Other receivables	50,956	-	50,956	37,641
IV. Current financial assets	14,256	-	14,256	8,733
1. Cash	68	-	68	66
2. Bank accounts	14,188	-	14,188	8,667
D. I. Deferrals	638	-	638	519
1. Prepaid expenses	328	-	328	467
3. Accrued revenues	310	-	310	52

(in CZK thousand)

LIABILITIES AND EQUITY		31 December 2012	31 December 2011
TOTAL LIABILITIES AND EQUITY		73,691	84,736
A.	Equity	67,258	76,686
I.	Registered capital	60,000	60,000
1.	Registered capital	60,000	60,000
III.	Reserve funds, undistributable fund and other funds from profit	1,327	748
1.	Statutory reserve fund/Undistributable fund	1,327	748
IV.	Retained earnings	59	4,372
1.	Retained profits	59	4,372
V.	Profit (loss) for the current period (+/-)	5,872	11,566
B.	Liabilities	6,305	7,907
I.	Provisions	600	4,237
3.	Income tax provision	0	1,576
4.	Other provisions	600	2,661
III.	Short-term liabilities	5,705	3,670
1.	Trade payables	2,234	1,925
4.	Liabilities to shareholders/owners/alliances	219	–
5.	Payables to employees	1,992	574
6.	Payables to social security and health insurance	387	245
7.	Tax liabilities and subsidies	454	188
10.	Estimated payables	281	99
11.	Other payables	138	639
C. I.	Accruals	128	143
1.	Accrued expenses	128	15
2.	Deferred revenues	–	128

Income Statement for the year ended 31 December 2012

(in CZK thousand)

	Year ended 2012	Year ended 2011
II. Revenue from production	45,454	49,763
1. Revenue from own products and services	45,454	49,763
B. Cost of sales	24,734	25,739
1. Materials and consumables	52	294
2. Services	24,682	25,445
+ Added value	20,720	24,024
C. Personnel expenses	12,732	11,129
1. Wages and salaries	9,871	8,458
2. Remuneration of board members	660	660
3. Social security and health insurance expenses	1,976	1,807
4. Social expenses	225	204
D. Taxes and charges	4	–
E. Depreciation of intangible and tangible fixed assets	826	593
G. Change in provisions and adjustments relating to operating activity and change in complex prepaid expenses	(2,061)	(839)
H. Other operating expenses	1,495	1,097
* Operating profit	7,724	12,044
VII. Revenue from long-term investments	–	–
VIII. Revenue from short-term financial investments	–	2
X. Interest revenue	995	1,434
XI. Other financial revenues	3,608	3,704
O. Other financial expenses	4,881	2,461
* Profit (loss) from financial operations	(278)	2,679
Q. Income tax on ordinary profit (loss)	1,574	3,157
1. – current	1,181	2,997
2. – deferred	393	160
** Profit (loss) on ordinary activities after tax	5,872	11,566
*** Profit (loss) for the accounting period	5,872	11,566
**** Profit (loss) before tax	7,446	14,723

Statement of Changes in Equity for the year ended 31 December 2012

(in CZK thousand)

	Registered capital	Statutory reserve fund	Retained earnings	Accumulated losses	Profit (loss) for the current period	Equity Total
Balance at 31 December 2010	60,000	705	3,570	–	845	65,120
Additions to reserve fund	–	43	–	–	(43)	–
Transfer of profit (loss) of 2010	–	–	802	–	(802)	–
Profit for accounting period	–	–	–	–	11,566	11,566
Balance at 31 December 2011	60,000	748	4,372	–	11,566	76,686
Additions to reserve fund	–	579	–	–	(579)	–
Transfer of profit (loss) of 2011	–	–	–	–	–	–
Dividends	–	–	(4,313)	–	(10,987)	(15,300)
Profit for accounting period	–	–	–	–	5,872	5,872
Balance at 31 December 2012	60,000	1,327	59	–	5,872	67,258

Cash Flow Statement for the year ended 31 December 2012

(in CZK thousand)

		Period ended 31 December 2012	Period ended 31 December 2011
P.	Cash and cash equivalents as at the beginning of the year	8,733	33,825
Z.	Net profit on ordinary activities before tax	7,446	14,723
A.1.	Non-cash transactions	(2,230)	(1,680)
A.1.1.	Depreciation of fixed assets	826	593
A.1.2.	Change in balance of adjustments, reserves	(2,061)	(839)
A.1.5.	Net interest income (-)/expenses	(995)	(1,434)
A.*	Net cash flow from operating activities before tax and changes in working capital	5,216	13,043
A.2.	Working capital changes	18,993	(35,179)
A.2.1.	Change in short-term receivables and prepayments	16,973	(35,063)
A.2.2.	Change in short-term payables and accruals	2,020	(116)
A.**	Net cash flow from operating activities before tax	24,209	(22,136)
A.4.	Interest received	523	831
A.5.	Income tax for operating activities	(3,860)	(2,092)
A.***	Net cash flow from operating activities	20,872	(23,397)
B.1.	Acquisition of fixed assets	(49)	(1,695)
B.***	Net cash flow from investment activities	(49)	(1,695)
C.2.	Changes in equity	(15,300)	-
C.2.6.	Dividends paid	(15,300)	-
C.***	Net cash flow from financing activities	(15,300)	-
F.	Net increase or decrease in cash balance	5,523	(25,092)
R.	Cash and cash equivalents as at the end of the year	14,256	8,733

Notes to the Czech Statutory Financial Statements for the year ended 31 December 2012

1. GENERAL INFORMATION

1.1. Incorporation and description of the business

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

Principal activities (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) 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.

Share capital recorded in the Commercial Register as at 31 December 2012 amounts to TCZK 60,000.

Shareholders of the Company:

Burza cenných papírů Praha, a.s.	investment of TCZK 20,000
Centrální depozitář cenných papírů, a.s.	investment of TCZK 20,000
CENTRAL COUNTERPARTY, a.s	investment of TCZK 20,000

On 8 December 2008, Wiener Börse AG became a majority shareholder of the group Burza cenných papírů Praha (hereinafter "BCPP").

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, a.s. 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.

In order to organize electric power trading with delivery in Hungary, the Company established a branch in Hungary – POWER EXCHANGE CENTRAL EUROPE, a.s., Magyarországi Fióktelepe through which power traders may access the Company's trading platform.

In 2010 the Company launched trading on the Hungarian spot auction organized by the Company together with the Austrian power exchange EXAA.

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 licence.

In 2012 no changes were made in the Commercial Register.

1.2. 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.

1.3. Statutory body of the Company as at 31 December 2012

	Position	Name
Exchange Chamber	Chairman	Petr Kobic
	Vice Chairman	Helena Čacká
	Member	Bohumil Havel
Supervisory Board	Member	Jiří Opletal
	Member	Petr Horáček
	Member	Radan Marek

2. ACCOUNTING POLICIES

2.1. Basis of preparation of the financial statements

The financial statements have been prepared in accordance with relevant accounting legislation in the Czech Republic and have been prepared under the historical cost convention.

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

2.2. Tangible fixed assets

All tangible assets with a useful life longer than one year and a unit cost of more than TCZK 40 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.

Technical appreciation of tangible fixed assets is capitalized. Repair and maintenance expenditures of tangible fixed assets are charged to expenses as incurred.

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

	Number of years
Computer systems	3

Provisions

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

2.3. Intangible fixed assets

All intangible assets with a useful life longer than one year and a unit cost of more than TCZK 60 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 fixed assets are amortized on a straight-line basis over their estimated useful lives as follows:

	Number of years
Software	3

Provisions

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

2.4. Financial assets

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

All securities and investments are initially recorded at cost, including transaction costs. Held-to-maturity investments are subsequently accounted for at amortized cost.

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

2.5. 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.

2.6. Foreign currency translation

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

2.7. 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. 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.

2.9. 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 3.11.

2.10. Revenue recognition

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

2.11. 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.

2.12. Cash flow statement

The cash flow statement is prepared using the indirect method. Cash equivalents represent short-term liquid investments, which are readily convertible for a known amount of cash.

2.13. 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.

2.14. Changes to accounting methods and procedures

The Company has not changed any of its accounting methods and procedures during 2012 and 2011.

3. ADDITIONAL INFORMATION ON THE BALANCE SHEET AND INCOME STATEMENT

3.1. Fixed assets

3.1.1. Intangible fixed assets

(in CZK thousand)

Cost	Balance as at 31 December 2011	Additions	Disposals	Balance as at 31 December 2012
Incorporation costs	1,120	–	–	1,120
Software	1,991	15	–	2,006
Total	3,111	15	–	3,126

(in CZK thousand)

Accumulated amortization	Balance as at 31 December 2011	Additions	Disposals	Balance as at 31 December 2012
Incorporation costs	1,026	94	–	1,120
Software	675	638	–	1,313
Total	1,701	732	–	2,433

(in CZK thousand)

Net book value	Balance as at 31 December 2011	Balance as at 31 December 2012
Incorporation costs	94	0
Software	1,316	693
Total	1,410	693

3.1.2. Tangible fixed assets

(in CZK thousand)

Cost	Balance as at 31 December 2011	Additions	Disposals	Balance as at 31 December 2012
Machinery and equipment	304	34	–	338
Furniture and fixtures	57	–	–	57
Plant and equipment	361	34	–	395

(in CZK thousand)

Accumulated depreciation and allowances	Balance as at 31 December 2011	Additions	Disposals	Balance as at 31 December 2012
Machinery and equipment	131	94	–	225
Furniture and fixtures	57	–	–	57
Plant and equipment	188	94	–	282

(in CZK thousand)

Net book value	Balance as at 31 December 2011	Balance as at 31 December 2012
Machinery and equipment	173	113
Furniture and fixtures	–	–
Plant and equipment	173	113

In 2012 the Company acquired a tablet at an acquisition cost of TCZK 19 and a computer at an acquisition cost of TCZK 15.

3.1.3. Leased assets

The Company is committed to payments under operating leases as follows:

(in CZK thousand)

	As at 31 December 2012	As at 31 December 2011
Due within 1 year	805	969
Due in 1 to 5 year	2,638	2,670
Due in more than 5 years	788	1,562
Total	4,231	5,201

The Company has an operating lease for one car and payments for the rent of premises as at 31 December 2012. The annual cost of this lease for 2012 was TCZK 955 (2011: TCZK 1,003).

3.2. Financial assets

(in CZK thousand)

	As at 31 December 2012	As at 31 December 2011
Cash	68	66
Cash at bank	14,188	8,667
Total	14,256	8,733

3.3. Short-term receivables

3.3.1. Trade receivables

(in CZK thousand)

Year	Category	Before due date	Past due date	Total
As at 31 December 2011	Short-term	76	–	76
As at 31 December 2012	Short-term	18	–	18

Trade receivables have not been secured.

3.3.2. Other receivables

(in CZK thousand)

	As at 31 December 2012	As at 31 December 2011
Receivables from Central Clearing Counterparty, a.s.	9,148	3,419
Receivables from Energy Clearing Counterparty, a.s.	41,808	34,222
Total	50,956	37,641

Other receivables consist of short-term loans to companies in BCPP group, i.e. to Central Clearing Counterparty, a.s. in the amount of TCZK 9,148 (2011: TCZK 3,419) and to Energy Clearing Counterparty, a.s. in the amount of TCZK 41,808 (2011: TCZK 34,222).

3.3.3. Tax receivables

(in CZK thousand)

	As at 31 December 2012	As at 31 December 2011
Tax receivables	1,101	–
VAT	18	3
Tax receivables	1,119	3

Tax receivables consist of advances for income tax paid in the amount of TCZK 2,297 reduced by the income tax estimate for 2012 in the amount of TCZK 1,196. As at 31 December 2011, a provision for income tax was created in the amount of TCZK 1,576 (Note 3.6.).

3.4. Accruals and deferrals

(in CZK thousand)

	As at 31 December 2012	As at 31 December 2011
Prepaid expenses	328	467
Insurance	67	137
Other	261	330
Accrued income	310	52
Total	638	519

3.5. Equity

3.5.1. Registered capital

Share capital recorded in the Commercial Register as at 31 December 2012 amounts to TCZK 60,000. Share capital comprises 60 registered shares with a nominal value of TCZK 1,000 each.

3.5.2. Distribution of the 2011 profit

The proposal for the distribution and transfer of the 2011 profit was approved by the General meeting on 23 April 2012. The payment of dividends was agreed in the total amount of CZK 255,000 per share, i.e. the payment in the total amount of TCZK 15,300.

3.5.3. Statutory reserve fund

The statutory reserve fund is funded by 5% of the profit of the Company, according to the Articles of Association.

On 23 April 2012, the general meeting approved the allocation to the statutory reserve fund amounting to TCZK 579.

3.6. Provisions

	(in CZK thousand)	
	Provision – income tax	Other provision
As at 1 January 2012	1,576	2,661
Use of 2011 provisions	(1,576)	(2,661)
Creation of 2012 provisions	–	600
As at 31 December 2012	–	600

As at 31 December 2012, the Company did not create a provision for income tax (2011: TCZK 1,576) as advances paid are higher than expected tax liabilities (Note 3.3.3.).

3.7. Payables

3.7.1. Short-term payables

Short-term payables can be analysed as follows:

	(in CZK thousand)	
Category	Balance at 31 December 2012	Balance at 31 December 2011
Trade payables	2,234	1,925
Payables to shareholders/owners and alliance partners	219	–
Payables to staff	1,992	574
Social security and health insurance payables	387	245
Tax liabilities	454	188
Estimated payables	281	99
Other payables	138	639
Total short-term payables	5,705	3,670

No tax liabilities were overdue as at 31 December 2012 and 31 December 2011.

3.8. Accruals and deferrals

(in CZK thousand)

	Balance at 31 December 2012	Balance at 31 December 2011
Accrued expenses	128	15
Advisory services	103	–
Payroll services	17	15
Other	8	–
Deferred revenue – PSE connection – advance payment	–	128
Total accruals and deferrals	128	143

3.9. Income tax on ordinary activities

The income tax expense consists of the following:

(in CZK thousand)

	2012	2011
Current tax expense – current period	1,196	3,065
Current tax expense – previous year	(15)	(68)
Deferred tax expense/(credit)	393	160
Total income tax expense	1,574	3,157

The 2012 and 2011 deferred tax asset/(liability) was calculated using a tax rate of 19% and can be analysed as follows:

(in CZK thousand)

	Balance at 31 December 2012	Balance at 31 December 2011
Deferred tax liability:		
Accelerated tax depreciation of fixed assets	(3)	(1)
Deferred tax asset:		
Provisions	114	506
Net deferred tax asset	111	505

3.10. Revenue analysis

(in CZK thousand)

2012	Domestic	Foreign	Total
Commodity exchange fees	24,055	20,894	44,949
– one-off entrance fee	1,137	756	1,893
– participation fee	6,588	7,728	14,316
– transaction fees	660	239	899
– transaction settlement fees	613	264	877
– registration fees OTE	696	356	1,052
– registration fees OKTE	250	311	561
– registration fees MAVIR	71	16	87
– transaction fees – financial futures	5,108	1,927	7,035
– settlement fees – financial futures	4,402	1,445	5,847
– communication connection fees	4,530	7,852	12,382
Commodity exchange information	3	452	455
Other services	41	9	50
Total revenue from the sale of services	24,099	21,355	45,454

(in CZK thousand)

2011	Domestic	Foreign	Total
Commodity exchange fees	21,405	28,012	49,417
– one-off entrance fee	364	1,090	1,454
– participation fee	6,384	8,001	14,385
– transaction fees	809	952	1,761
– transaction settlement fees	816	1,031	1,847
– registration fees OTE	1,859	623	2,482
– registration fees OKTE	189	133	322
– registration fees MAVIR	136	304	440
– transaction fees – financial futures	3,552	4,110	7,662
– settlement fees – financial futures	3,223	4,244	7,467
– communication connection fees	4,073	7,524	11,597
Commodity exchange information	–	342	342
Other services	2	2	4
Total revenue from the sale of services	21,407	28,356	49,763

3.11. Related party transactions

3.11.1. Purchases from related parties

(in CZK thousand)

2012		
Entity	Relation to the Company	Services
Centrální depozitář cenných papírů, a.s.	shareholder – member of BCPP Group	3,357
CENTRAL COUNTERPARTY, a.s.	shareholder – member of BCPP Group	533
Burza cenných papírů Praha, a.s.	shareholder – member of BCPP Group	6,987
Energy Clearing Counterparty, a.s.	member of BCPP Group	207
Central Clearing Counterparty, a.s.	member of BCPP Group	280
Total		11,364

(in CZK thousand)

2011		
Entity	Relation to the Company	Services
Centrální depozitář cenných papírů, a.s.	shareholder – member of BCPP Group	4,631
CENTRAL COUNTERPARTY, a.s.	shareholder – member of BCPP Group	1,235
Burza cenných papírů Praha, a.s.	shareholder – member of BCPP Group	9,151
Energy Clearing Counterparty, a.s.	member of BCPP Group	408
Central Clearing Counterparty, a.s.	member of BCPP Group	160
Total		15,585

The Company purchases services related to trading at the commodity exchange. It also purchases IT services from Burza cenných papírů Praha, a.s. ("BCPP"), settlement services from Centrální depozitář cenných papírů, a.s. ("CDCP") and services related to the physical settlement of energy transactions from CENTRAL COUNTERPARTY, a.s. ("CCP"), Central Clearing Counterparty, a.s. ("CCC") and Energy Clearing Counterparty, a.s. ("EnCC").

3.11.2. Interest income from related parties

(in CZK thousand)

	2012	2011
Centrální depozitář cenných papírů, a.s.	377	986
CENTRAL COUNTERPARTY, a.s.	42	1
Energy Clearing Counterparty, a.s.	472	376
Central Clearing Counterparty, a.s.	99	65
Total	990	1,428

All significant transactions are carried out on an arm-length basis.

3.11.3. Receivables from related parties

(in CZK thousand)

Receivables from shareholders	As at 31 December 2012	As at 31 December 2011
CENTRAL COUNTERPARTY, a.s.	2,913	–
Centrální depozitář cenných papírů, a.s.	–	32,404
Burza cenných papírů Praha, a.s.	–	883
Total	2,913	33,287

(in CZK thousand)

Long-term advances paid	As at 31 December 2012	As at 31 December 2011
Central Clearing Counterparty, a.s.	2,027	2,367
Total	2,027	2,367

3.11.4. Payables to related parties

(in CZK thousand)

Short-term liabilities	As at 31 December 2012	As at 31 December 2011
Centrální depozitář cenných papírů, a.s. – trade payables	486	631
CENTRAL COUNTERPARTY, a.s. – trade payables	41	113
Burza cenných papírů Praha, a.s. – trade payables	626	670
Energy Clearing Counterparty, a.s. – trade payables	20	39
Total	1,173	1,453

3.12. Purchased services

(in CZK thousand)

	2012	2011
Repairs and maintenance	3	1
Travel expenses	794	501
Representation costs	369	423
Telephone, fax, postal fees	143	216
Rent	259	343
Services relating to rental from BCPP	313	356
Rental services from BCPP	696	660
Services from BCPP	6,987	9,151
Services from CCP	533	1,235
Services from CDCP	3,357	4,631
Services from EnCC	207	408
Services from CCC	280	160
Services related to connection to trading system	5,291	1,278
Advisory services	1,273	1,756
Audit	215	215
Promotion	2,472	2,601
Other services	1,490	1,510
Total	24,682	25,445

3.13. Other operating expenses

(in CZK thousand)

	2012	2011
Insurance premiums	246	314
Other	1,249	783
Total other operating expenses	1,495	1,097

3.14. Interest income

(in CZK thousand)

	2012	2011
Interest on current bank accounts	5	6
Interest income within group	990	1,428
Total interest income	995	1,434

For more details about intergroup interest, see Note 3.11. Related party transactions.

3.15. Other financial income

(in CZK thousand)

	2012	2011
Foreign exchange gains	3,608	3,704
Total	3,608	3,704

3.16. Other financial expenses

(in CZK thousand)

	2012	2011
Foreign exchange losses	4,818	2,409
Banking charges	63	52
Total	4,881	2,461

4. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES

4.1. Staff costs and number of employees

(in CZK thousand)

2012	Average recalculated headcount for 2012	Total staff cost for 2012
Employees	6	12,072
Total	6	12,072

(in CZK thousand)

2011	Average recalculated headcount for 2011	Total staff costs for 2011
Employees	6	10,469
Total	6	10,469

In accordance with the provision for employee benefits, the Company provides contributions for pension plan and life insurance.

4.2. Loans, credits and other benefits provided to members of statutory bodies

During 2012 and 2011, the members of the Exchange Chamber and the management received the following benefits:

(in CZK thousand)

2012	Exchange chamber	Total
Remuneration of the statutory bodies members	660	660
Total	660	660

(in CZK thousand)

2011	Exchange chamber	Total
Remuneration of the statutory bodies members	660	660
Total	660	660

5. AUDITOR'S FEE

The information on the remuneration of the audit firm KPMG Česká republika Audit, s.r.o. is disclosed in the notes to the consolidated financial statements of the parent company, Burza cenných papírů Praha, a.s.

6. CONTINGENT LIABILITIES

The management of the Company is not aware of any significant unrecorded contingent liabilities as at 31 December 2012 and 31 December 2011.

7. POST BALANCE SHEET EVENTS

On 31 January 2013, a change was made in the Commercial Register to add trading in gas as a subject of exchange business.

Prague, 15 March 2013



Petr Kobic

Chairman of the Exchange Chamber



KPMG Česká republika Audit, s.r.o.
Pobřežní 648/1a
186 00 Praha 8
Česká republika

Telephone +420 222 123 111
Fax +420 222 123 100
Internet www.kpmg.cz

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.

Financial statements

On the basis of our audit, on 15 March 2013 we issued an auditor's report on the Company's statutory financial statements, which are included in this annual report, and our report was as follows:

"We have audited the accompanying financial statements of POWER EXCHANGE CENTRAL EUROPE, a.s., which comprise the balance sheet as of 31 December 2012, and the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and the notes to these financial statements including a summary of significant accounting policies and other explanatory notes. Information about the company is set out in Note 1 to these financial statements.

Statutory Body's Responsibility for the Financial Statements

The statutory body of POWER EXCHANGE CENTRAL EUROPE, a.s. is responsible for the preparation of financial statements that give a true and fair view in accordance with Czech accounting legislation and for such internal controls as the statutory body determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of POWER EXCHANGE CENTRAL EUROPE, a.s. as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.”

Report on relations between related parties

We have reviewed the factual accuracy of the information disclosed in the report on relations between related parties of POWER EXCHANGE CENTRAL EUROPE, a.s. for the year ended 31 December 2012. The responsibility for the preparation and factual accuracy of this report rests with the Company’s statutory body. Our responsibility is to express our view on the report on relations based on our review.

We conducted our review in accordance with Auditing Standard No. 56 of the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain limited assurance as to whether the report on relations is free of material misstatement. A review is limited primarily to inquiries of the Company’s personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not performed an audit of the report on relations and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that would lead us to believe that the report on relations between related parties of POWER EXCHANGE CENTRAL EUROPE, a.s. for the year ended 31 December 2012 contains material factual misstatements.

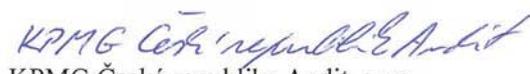
Annual report

We have audited the consistency of the annual report with the audited financial statements. This annual report is the responsibility of the Company’s statutory body. Our responsibility is to express our opinion on the consistency of the annual report with the audited financial statements based on our audit.

We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance that the information disclosed in the annual report describing matters that are also presented in the financial statements is, in all material respects, consistent with the audited financial statements. We believe that the audit we have conducted provides a reasonable basis for our audit opinion.

In our opinion, the information disclosed in the annual report is, in all material respects, consistent with the audited financial statements.

Prague
19 April 2013


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


Pavel Závitkovský
Partner
Licence number 69

Contact

POWER EXCHANGE CENTRAL EUROPE

Rybná 14
110 05 Praha 1
Czech Republic

pxe@pse.cz
www.pxe.cz

