

## **Consolidated annual report 2017**

Prague Stock Exchange  
(Burza cenných papírů Praha, a.s.)

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## Company profile

The Prague Stock Exchange (Burza cenných papírů Praha, a.s.; PSE) is the largest and oldest securities market organiser in the Czech Republic. By law, PSE is a joint stock company. Its largest shareholder is CEESEG Aktiengesellschaft, with a 99.355% interest.

Trading is conducted via licensed traders, who are also members of the exchange. The results of stock exchange trades and other data are published on [www.pse.cz](http://www.pse.cz) and further communicated via information agencies and the media.

PSE and its subsidiaries form the PX group. Apart from PSE, the most important member of the group is the Central Securities Depository Prague (CSD Prague). CSD Prague, which has a dominant position in the field of settling securities trades on the Czech capital market, maintains a central register of dematerialised securities issued in the Czech Republic, and allocates legal entity identifiers (LEIs or, initially, pre-LEIs) to legal entities and international securities identification numbers (ISINs) to investment instruments.

The PX group closely cooperates with POWER EXCHANGE CENTRAL EUROPE, a.s. (PXE), one third of which is owned by the stock exchange. PXE is the centre of competence for the Central and Eastern European power markets and, as part of EEX Group, PXE is committed to further developing products and services for the Czech, Slovak, Polish, Hungarian and Romanian market. PXE also enables end customers the option to purchase electricity and natural gas via electronic auction.

PSE, CSD Prague and the Vienna Stock Exchange (Wiener Börse) are members of the CEESEG Group. PSE has no branches abroad.

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

### Introduction

*In 2017, the PX group exceeded its financial targets.*

*In 2017, the results of trading on the Prague Stock Exchange were unsatisfactory. Not only did the trading volume decrease to BCZK 140 but even worse were the stock buybacks carried out by some of the publicly traded companies. These might even result in their exclusion from trading. Even with the best will in the world, the Stock Exchange's management was not able to change this trend. As a partial corrective measure, the START market designated for small and medium-sized companies was launched in autumn 2017. The success of this market in which we hope will, however, not replace the loss of the large issues from the prime market but represent the establishment of a new market with a growth potential for the future.*

*In 2017, CSD Prague recorded continued growth in the number of share issues. The primary reason for the increase in the number of book-entered companies registered in the central depository is still the effect of the Public Procurement Act. The act was adopted as part of a governmental initiative to increase transparency when drawing funds from public budgets. Increasing the number of issues maintained in the central register also enabled the central depository to continue in its strategy to reduce prices, primarily for issuing investment instruments.*

*The project aimed at the fulfilment of the requirements of the EU regulation for CSDR central depositories was a major project in 2017 and will continue in 2018 as well. The Central depository prepared the underlying documents for the regulator and submitted them to the Czech National Bank at the end of 2017. We expect that the Czech National Bank will issue its decision in 2018.*

*The cooperation with the major European commodity exchange EEX, the majority owner of the subsidiary POWER EXCHANGE CENTRAL EUROPE (PXE), has been very successful. In 2017, we already saw the synergies in full as well as a steep increase in the volume of trades. PXE thus went through the most successful year in the past five years. We hope that in the future the results of PXE will be even better.*

**Petr Kobic, Chief Executive Officer** and Chairman of the Exchange Chamber of the Prague Stock Exchange  
David Kučera, Member of the Exchange Chamber of the Prague Stock Exchange

## Key data

	2012	2013	2014	2015	2016	2017
Number of exchange days	251	250	250	249	252	250
<b>SHARES</b>						
Total trading volume (BCZK)	250,58	174,74	153,49	167,90	168,03	138,78
Average daily volume (MCZK)	998,33	698,96	613,95	674,28	666,78	555,13
Market capitalisation (BCZK)	1 142,09	1 093,48	1 040,29	1 100,47	1 044,46	1 252,58
Number of issues (year-end)	28	26	23	25	25	23
PX Index	1 038,70	989,04	946,71	956,33	921,61	1 078,16
PX-TR Index	1 397,82	1 389,42	1 384,89	1 455,91	1 481,56	1 830,91
PX-GLOB Index	1 295,79	1 239,49	1 183,83	1 240,95	1 198,40	1 449,97
<b>BONDS</b>						
Total trading volume (BCZK)	594,21	1,93	8,23	5,10	4,15	6,21
Number of issues (year-end)	98	110	116	112	115	116
<b>STRUCTURED PRODUCTS</b>						
Total trading volume (MCZK)	50,66	122,16	568,65	262,01	126,35	227,31
Number of issues (year-end)	30	103	68	89	71	61
<b>INVESTMENT SHARES AND INVESTMENT FUND'S UNITS</b>						
Total trading volume (MCZK)	-	-	-	0,00	62,66	87,28
Number of issues (year-end)	-	-	-	17	37	32

## Non-consolidated financial performance (according to CAS)

In 2017, the Prague Stock Exchange (PSE) generated revenue from its own services of TCZK 186 664 (2016: TCZK 190 539), which can be analysed as follows:

(in TCZK)	2017	2016
Stock exchange fees	42 561	46 717
Services relating to settlement of securities	61 260	60 828
Stock exchange information	36 420	38 623
Services for Centrální depozitář cenných papírů, a.s.	34 073	31 419
Services for POWER EXCHANGE CENTRAL EUROPE, a.s.	4 635	4 635
Other services	7 715	8 317
<b>Revenue from own services</b>	<b>186 664</b>	<b>190 539</b>

The decrease in the revenue from own services of 2.0% (TCZK 3 875) is primarily due to a decrease in the trading fees to TCZK 20 568 in 2017 (2016: TCZK 24 776).

PSE posted profit after tax of TCZK 53 727 for 2017 (2016: TCZK 213 091). The year-on-year decrease was caused by the loss from financial operations amounting to TCZK -395 in 2017 (2016: TCZK 152 836) and was influenced by the subsidiary which did not pay out shares in profit but increased its equity.

PSE's total assets as at 31 December 2017 amounted to TCZK 182 425 (2016: TCZK 341 429). Their structure was as follows:

(in TCZK)	2017	2016
Fixed assets (net)	119 830	121 724
Receivables and other current assets (net)	38 831	40 272
Cash (net)	23 764	179 433
<b>Total assets</b>	<b>182 425</b>	<b>341 429</b>

PSE's fixed assets also include long-term investments comprising PSE's ownership interests in corporations, amounting to TCZK 116 446 (2016: TCZK 116 446).

On 23 May 2017, PSE's general meeting of shareholders decided to pay a share in profit of CZK 808 per share (the total shares in profit paid amounted to TCZK 214 076).

The average number of employees was 30.8 in 2017 (2016: 31.2 employees). PSE complies with all applicable labour laws and regulations. It enables its employees to continuously improve their qualifications and language skills.

PSE conducted applied research and experimental development activities featuring a valuable element of novelty and the clarification of research or technical uncertainty.

As PSE's activity is inherently environmentally friendly, no special activities are conducted in this area.

## Consolidated financial performance (according to IFRS as adopted by EU)

In 2017, the Group generated consolidated revenue of TCZK 470 743 (2016: TCZK 452 960), which can be analysed as follows:

(in TCZK)	2017	2016
Exchange trading fees	20 568	24 776
Administrative fees	21 993	21 941
Stock exchange information	36 244	38 157
Revenue from the settlement of trades	81 168	79 576
Fee for registration of an issue and related services	110 902	112 187
Fee for keeping records	157 387	141 814
Other services of CSD Prague	36 290	27 994
Other revenue from provided services	6 191	6 515
<b>Revenue</b>	<b>470 743</b>	<b>452 960</b>

Revenue grew year-on-year by 3.9% (TCZK 17 783), primarily thanks to an increase in the fee for keeping records by 11.0% (TCZK 15 573) and an increase in other services of CSD Prague, mainly as a result of increased interest in the allocation of a LEI identifier. In contrast, the revenue from the exchange trading fees dropped by 17% (TCZK 4 208) due to a lower volumes of share trades.

The Group posted comprehensive profit after tax of TCZK 184 344 in 2017 (2016: TCZK 305 150) which is lower by TCZK 120 806 compared with 2016. However, the profit for 2016 was influenced by one-off input, representing net profit from the sale of subsidiaries of TCZK 140 734.

The Group's total assets as at 31 December 2017 amounted to TCZK 694 761 (2016: TCZK 687 129). Their structure was as follows:

(in TCZK)	2017	2016
Total fixed assets (net)	362 071	162 345
Receivables and other current assets (net)	187 242	164 102
Short-term financial assets (net)	145 448	360 682
<b>Total assets</b>	<b>694 761</b>	<b>687 129</b>

The average number of employees was 74.0 in 2017 (2017: 73.4 employees).

The Group complies with all applicable labour laws and regulations.

## Activities in 2017

### Trading and securities

#### Trading

The whole year 2017 was significantly influenced by preparations for the new EU legislation both on part of the stock exchange and its members. This new legislation includes the MiFID II directive and the MiFIR regulation. As at 29 December 2017, all issues of structured securities (investment certificates and warrants) issued by Erste Group Bank were transferred from the regulated market to the unregulated free market due to the effect of the new legislation which newly classifies these products as derivatives.

As at 29 December 2017, all issues of structured securities (investment certificates and warrants) issued by Raiffeisen Centrobank were excluded from trading in the stock exchange. Raiffeisen Centrobank, a member of the stock exchange, began to list shares of Moneta Money Bank.

#### Membership issues

In 2017, no changes were made. The exchange has 16 trading members (12 domestic, four foreign) and two members established by law (the Ministry of Finance of the Czech Republic and the Czech National Bank).



## Report on relations

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

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

the controlling entity **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 Controlling Entity" or "CEESEG") and

the controlled 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 "Controlled Entity" or "PSE")

for the 2017 accounting period.

The report also contains information on relations between the Controlled Entity and entities controlled by the same Controlling Entity, which was **Wiener Börse AG**, with its registered office in Wallnerstraße 8, 1014 Wien, Austria ("WB").

**The structure of relations** between the above entities is characterised by the amount of the participation interest which the Controlling Entity holds in WB, amounting to 100%. The Controlling Entity held a 99.36% participation interest in the Controlled Entity as at the year-end.

This report does not include any description of relations of the Controlled Entity with its subsidiaries. The list of subsidiaries and companies in which the Controlled Entity exercised its influence is as follows:

- **Energy Clearing Counterparty, a.s.**, with its registered office in Praha 1, Rybná 682/14, identification No. 284 416 81
- **Centrální depozitář cenných papírů, a.s.**, with its registered office in Praha 1, Rybná 14, identification No. 250 81 489

Relations between these companies and the Controlled Entity are described in the reports on relations of the individual companies listed herein.

Pursuant to Section 82 (2) (b) and (c) of BCA, **control is exercised** through a share in the voting rights in accordance with Section 75 (1, 2) of BCA. No holding agreement, joint venture agreement, agreement to exercise voting rights or another similar agreement have 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 2017 accounting period at the instigation or in the interest of the Controlling Entity or entities controlled by the Controlling Entity where such acts concern assets with a value exceeding 10% of the Controlled Entity's equity identified from the last financial statements (Section 82 (2) (d) of BCA; and
- b) an overview of agreements concluded between the Controlled Entity and the Controlling Entity or between controlled entities (Section 82 (2) (e) of BCA).

Concerning a), the general meeting of 23 May 2017 approved BCPP's financial statements for 2016 and a motion for profit distribution by paying a share in profit of CZK 808 per share, totalling TCZK 214 076. No other acts pursuant to Section 82 (2) (d) of BCA were performed in the 2017 accounting period.

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

The following agreements defined the relations between the Controlling Entity and the Controlled Entity in the 2017 accounting period:

Date of agreement	Name of agreement	Description of performance
1 August 2011	Agreement on opening of account in securities central register and provision of related services	Opening and maintaining a securities property account in CDCP
6 August 2013	Mutual Agreement on Providing Authority to conclude cross-membership agreements with CEESEG members	Agreement authorising other stock exchanges to make cross-membership at partner stock exchanges, together with WB, LB, BSE  The participation of BSE and LB was terminated based on an agreement as a result of termination of the Controlling Entity's participation in these companies.

The following agreements defined the relations between WB and the Controlled Entity in the 2017 accounting period:

Date of agreement	Name of agreement	Description of performance
11 February 2009	Confirmation - free use of the PSE data transmitted via Thomson Reuters	Bilateral agreement on the use of data to calculate the index
1 July 2009	FRAMEWORK AGREEMENT - INDEX LICENSING BUSINESS	Framework contract to sell the indices
18 August 2009	Data Vending Cooperation Agreement, as amended by Amendment No. 6 dated 29 June 2017	Cooperation in vending data
23 December 2011	MASTER FRAMEWORK AGREEMENT („MFA“), as amended by Amendment No. 2 dated 30 November 2015	Framework contract for migration of technical trading system to the XETRA single business system
23 December 2011	Supplement Agreement for TTR Services, as amended by Amendment No. 1 dated 19 May 2017, Supplement Agreement for Remote Member Services, Supplement Agreement for Market Maintenance Services, Supplement Agreement for Index Services, Supplement Agreement for Connectivity Services, Supplement Agreement for Exchange Services	Supplement agreements for PSE services in connection with MFA above
30 October 2012	Agreement on Market Maintenance Service	Supplement agreement relating to MFA above specifying initial configuration of XETRA
6 August 2013	Mutual Agreement on Providing Authority to conclude cross-membership agreements with CEESEG members	Agreement authorising other stock exchanges to make cross-membership at partner stock exchanges

18 December 2014	Letter of Intent, as amended by Amendment No. 1 dated 30 March 2015	Approval of the intent to cooperate on creating a unified format of the Group's web pages
18 February 2015	Agreement on the disclosure of information relevant for the Service Provision Project	Agreement on provision of information relevant for the project of a unified format of web pages
11 May 2016	Master Framework Agreement	Framework agreement on cooperation upon website implementation and operation

### Assessment of possible harm to the Controlled Entity

The Exchange Chamber 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

The benefit of the relations within the group for the Controlled Entity is the possibility to participate in the synergies of interconnection of stock exchanges regarding the IT expenses, coordinated procedures for data vending, and mutual sharing of the expertise. We are not aware of any disadvantages and risks.

The report is to be attached to the annual report pursuant to a special legal regulation (Section 84 (2) of BCA). The report will be reviewed by the Supervisory Board pursuant to Section 83 (1) of BCA.

Prague, 8 March 2018



.....  
Petr Kobic  
Chairman of the Exchange Chamber



.....  
Helena Čacká  
Member of the Exchange Chamber

## **Financial section**

### **Financial statements**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2017**

**Name of the Business Corporation:** **Burza cenných papírů Praha, a.s.**

**Registered Office:** **Prague 1, Rybná 14/682**

**Legal Form:** **Joint Stock Company**

**Identification Number:** **471 15 629**

**Date of Preparation:** **8 March 2018**

**Translation note:**

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

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		31. 12. 2017			31. 12. 2016
		Brutto	Correction	Netto	Netto
<b>BALANCE SHEET</b>		<b>Burza cenných papírů Praha, a.s.</b>			
		<b>Identification number: 471 156 29</b>			
as at 31.12.2017		Rybná 14/682			
(in TCZK)		110 05 Praha 1			
<b>TOTAL ASSETS</b>	<b>001</b>	<b>267 267</b>	<b>-84 842</b>	<b>182 425</b>	<b>341 429</b>
<b>B. Fixed assets</b>	<b>003</b>	<b>203 733</b>	<b>-83 903</b>	<b>119 830</b>	<b>121 724</b>
<b>B.I. Intangible fixed assets</b>	<b>004</b>	<b>45 863</b>	<b>-45 769</b>	<b>94</b>	<b>271</b>
<b>B.I.2 Intellectual property rights</b>	<b>006</b>	<b>41 963</b>	<b>-41 869</b>	<b>94</b>	<b>271</b>
B.I.2.1. Software	007	41 963	-41 869	94	271
B.I.4. Other intangible fixed assets	010	3 900	-3 900	0	0
<b>B.II. Tangible fixed assets</b>	<b>014</b>	<b>37 424</b>	<b>-34 134</b>	<b>3 290</b>	<b>5 007</b>
B.II.2. Plant and equipment	018	37 411	-34 134	3 277	5 007
B.II.5. Advance payments for tangible fixed assets and tangible fixed assets under construction	024	13	0	13	0
B.II.5.2. Tangible fixed assets under construction	026	13	0	13	0
<b>B.III. Long-term investments</b>	<b>027</b>	<b>120 446</b>	<b>-4 000</b>	<b>116 446</b>	<b>116 446</b>
B.III.1. Equity investments – group undertakings	028	110 446	-4 000	106 446	106 446
B.III.3. Equity investments – associated companies	030	10 000	0	10 000	10 000
<b>C. Current assets</b>	<b>037</b>	<b>56 426</b>	<b>-939</b>	<b>55 487</b>	<b>212 362</b>
<b>C.II. Receivables</b>	<b>046</b>	<b>32 662</b>	<b>-939</b>	<b>31 723</b>	<b>32 929</b>
<b>C.II.1. Long-term receivables</b>	<b>047</b>	<b>448</b>	<b>0</b>	<b>448</b>	<b>101</b>
C.II.1.4. Deferred tax asset	051	361	0	361	14
<b>C.II.1.5. Receivables - other</b>	<b>052</b>	<b>87</b>	<b>0</b>	<b>87</b>	<b>87</b>
C.II.1.5.2. Long-term advances paid	054	87	0	87	87
<b>C.II.2. Short-term receivables</b>	<b>057</b>	<b>32 214</b>	<b>-939</b>	<b>31 275</b>	<b>32 828</b>
C.II.2.1. Trade receivables	058	10 338	-939	9 399	10 043
<b>C.II.2.4. Receivables - other</b>	<b>061</b>	<b>21 876</b>	<b>0</b>	<b>21 876</b>	<b>22 785</b>
C.II.2.4.1. Receivables from shareholders/members	062	0	0	0	1 337
C.II.2.4.3. Tax receivables	064	3 722	0	3 722	1 331
C.II.2.4.4. Short term advances paid	065	94	0	94	2
C.II.2.4.5. Estimated receivables	066	18 046	0	18 046	20 108
C.II.2.4.6. Other receivables	067	14	0	14	7
<b>C.IV. Cash</b>	<b>071</b>	<b>23 764</b>	<b>0</b>	<b>23 764</b>	<b>179 433</b>
C.IV.1. Cash in hand	072	35	0	35	233
C.IV.2. Bank accounts	073	23 729	0	23 729	179 200
<b>D. Deferrals</b>	<b>074</b>	<b>7 108</b>	<b>0</b>	<b>7 108</b>	<b>7 343</b>
D.1. Prepaid expenses	075	7 108	0	7 108	7 343

		31.12.2017	31.12.2016
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>078</b>	<b>182 425</b>	<b>341 429</b>
<b>A. Equity</b>	<b>079</b>	<b>154 054</b>	<b>314 953</b>
<b>A.I. Registered capital</b>	<b>080</b>	<b>100 171</b>	<b>100 721</b>
A.I.1. Registered capital	081	100 721	100 721
A.I.2. Own shares/ownership interests (-)	082	-550	0
<b>A.IV. Retained earnings (+/-)</b>	<b>095</b>	<b>156</b>	<b>1 141</b>
A.IV.1. Retained profits	096	156	1 141
<b>A.V. Profit (loss) for the current period (+/-)</b>	<b>099</b>	<b>53 727</b>	<b>213 091</b>
<b>B.+ C. Liabilities</b>	<b>101</b>	<b>26 858</b>	<b>25 003</b>
<b>B. Provisions</b>	<b>102</b>	<b>1 479</b>	<b>2 088</b>
B.2. Income tax provision	104	407	2 088
B.4. Other provisions	106	1 072	0
<b>C. Liabilities</b>	<b>107</b>	<b>25 379</b>	<b>22 915</b>
<b>C.II. Short-term liabilities</b>	<b>123</b>	<b>25 379</b>	<b>22 915</b>
C.II.4. Trade payables	129	5 466	4 243
C.II.6. Liabilities – group undertakings	131	2 367	0
<b>C.II.8. Liabilities - other</b>	<b>133</b>	<b>17 546</b>	<b>18 672</b>
C.II.8.1. Liabilities to shareholders/members	134	1 466	1 799
C.II.8.3. Payables to employees	136	5 218	5 195
C.II.8.4. Social security and health insurance liabilities	137	2 152	2 265
C.II.8.5. Tax liabilities and subsidies	138	1 567	1 721
C.II.8.6. Estimated payables	139	6 911	7 457
C.II.8.7. Other payables	140	232	235
<b>D. Accruals</b>	<b>141</b>	<b>1 513</b>	<b>1 473</b>
D.1. Accrued expenses	142	122	41
D.2. Deferred revenues	143	1 391	1 432

## INCOME STATEMENT

Burza cenných papírů Praha, a.s.  
Identification number: 471 156 29as at year ended 31.12.2017  
(in TCZK)Rybná 14/682  
110 05 Praha 1

		2017	2016
I. Revenue from products and services	001	186 664	190 539
A. Cost of sales	003	59 278	55 877
A.2. Materials and consumables	005	2 056	1 608
A.3. Services	006	57 222	54 269
D. Personnel expenses	009	53 814	55 414
D.1. Wages and salaries	010	40 387	41 299
D.2. Social security, health insurance and other expenses	011	13 427	14 115
D.2.1 Social security and health insurance expenses	012	11 198	11 769
D.2.2. Other expenses	013	2 229	2 346
E. Adjustments relating to operating activities	014	3 327	3 055
E.1. Adjustments to intangible and tangible fixed assets	015	3 329	3 060
E.1.1. Depreciation and amortisation of intangible and tangible fixed assets	016	3 329	3 060
E.3. Adjustments to receivables	019	-2	-5
III. Other operating revenues	020	53	0
III.3. Other operating revenues	023	53	0
F. Other operating expenses	024	2 741	1 532
F.3. Taxes and charges	027	124	102
F.4. Provisions relating to operating activity and complex prepaid expenses	028	1 072	0
F.5. Other operating expenses	029	1 545	1 429
<b>* Operating profit (loss) (+/-)</b>	<b>030</b>	<b>67 557</b>	<b>74 660</b>
IV. Revenue from long-term investments – equity investments	031	0	152 700
IV.1. Revenue from equity investments – group undertakings	032	0	152 700
VI. Interest revenue and similar revenue	039	21	307
VI.1. Interest revenue and similar revenue – group undertakings	040	21	271
VI.2. Other interest revenue and similar revenue	041	0	36
J. Interest expense and similar expense	043	26	45
J.1. Interest expense and similar expense – group undertakings	044	26	45
VII. Other financial revenues	046	138	30 055
K. Other financial expenses	047	528	30 181
<b>* Profit (loss) from financial operations</b>	<b>048</b>	<b>-395</b>	<b>152 836</b>
<b>** Profit (loss) before tax (+/-)</b>	<b>049</b>	<b>67 162</b>	<b>227 496</b>
L. Income tax	050	13 435	14 405
L.1. Current tax	051	13 782	14 520
L.2. Deferred tax	052	-347	-115
<b>** Profit (loss) after tax (+/-)</b>	<b>053</b>	<b>53 727</b>	<b>213 091</b>
<b>*** Profit (loss) for the accounting period (+/-)</b>	<b>055</b>	<b>53 727</b>	<b>213 091</b>
Net turnover for the accounting period	056	186 876	373 601

<b>CASH FLOW STATEMENT</b>		<b>Burza cenných papírů Praha, a.s.</b>	
		<b>Identification number: 471 156 29</b>	
as at 31.12.2017 (in TCZK)		Rybná 14/682 110 05 Praha 1	
		<b>2017</b>	<b>2016</b>
<b>P. Cash and cash equivalents, beginning of period</b>	<b>001</b>	<b>179 433</b>	<b>294 273</b>
<b>Net operating cash flow</b>	<b>002</b>		
Z. Accounting profit (loss) from ordinary activities	003	67 162	227 496
A.1. Non-cash transactions	004	4 404	-149 907
A.1.1. Depreciation and amortisation of fixed assets	005	3 329	3 060
A.1.2. Change in provisions and other adjustments	006	1 070	-5
A.1.4. Revenue from dividends and profit distribution	008	0	-152 700
A.1.5. Expense and revenue interests accounted for	009	5	-262
<b>A.* Net operating cash flow before taxation financial items, changes in working capital and extraordinary items</b>	<b>011</b>	<b>71 566</b>	<b>77 340</b>
A.2. Changes in working capital	012	3 744	34 800
A.2.1. Change in receivables from operating activities, estimated receivables and deferrals	013	1 790	7 657
A.2.2. Change in short-term liabilities from operating activities, estimated payables and accruals	014	2 504	-2 987
A.2.4. Change in short-term financial assets, other than cash and cash equivalents	016	-550	29 881
<b>A.** Net operating cash flow before taxation, financial balances, and extraordinary items</b>	<b>017</b>	<b>75 310</b>	<b>112 140</b>
A.3. Interest paid excluding amounts capitalised	018	-26	-45
A.4. Interest received	019	21	307
A.5. Income tax paid on ordinary income and income tax relating to prior periods	020	-15 463	-12 681
A.6. Dividends received	022	0	152 700
<b>A.*** Net operating cash flow</b>	<b>023</b>	<b>59 842</b>	<b>252 421</b>
<b>Investing activities</b>	<b>024</b>		
B.1. Acquisition of fixed assets	025	-1 435	-2 471
B.2. Proceeds from sales of fixed assets	026	0	10 000
B.2.2. Proceeds from sale of financial investments	027	0	10 000
<b>B.*** Net cash flow from investing activities</b>	<b>028</b>	<b>-1 435</b>	<b>7 529</b>
<b>Financing activities</b>	<b>029</b>		
C.2. Increase and decrease in equity from cash transactions	031	-214 076	-374 790
C.2.2. Equity paid to shareholders	033	0	-215 491
C.2.6. Dividends paid. Including withholding tax paid and bonuses paid to board members	037	-214 076	-159 299
<b>C.*** Net cash flow from financing activities</b>	<b>038</b>	<b>-214 076</b>	<b>-374 790</b>
<b>F. Net increase or decrease in cash balance</b>	<b>039</b>	<b>-155 669</b>	<b>-114 840</b>
<b>R. Cash and cash equivalents, end of period</b>	<b>040</b>	<b>23 764</b>	<b>179 433</b>

<b>STATEMENT OF CHANGES IN EQUITY</b>		<b>Burza cenných papírů Praha, a.s.</b>				
as at 31.12.2017 (in TCZK)		Identification number: 471 156 29				
		Rybná 14/682 110 05 Praha 1				
	Registered capital	Treasury shares	Funds from profit	Retained profit	Profit (Loss) for the current period	Equity total
<b>Balance at 31/12/2015</b>	<b>265 216</b>	<b>-1 190</b>	<b>53 043</b>	<b>170</b>	<b>159 413</b>	<b>476 652</b>
Registered capital reduction	-164 335	0	0	0	0	-164 335
Reserve fund distribution	0	0	-51 853	697	0	-51 156
Dividends paid	0	0	0	114	-159 413	-159 299
Destruction of own shares	-160	1 190	-1 190	160	0	0
Profit/loss for the current period	0	0	0	0	213 091	213 091
<b>Balance at 31/12/2016</b>	<b>100 721</b>	<b>0</b>	<b>0</b>	<b>1 141</b>	<b>213 091</b>	<b>314 953</b>
Distribution of profit	0	0	0	-985	-213 091	-214 076
Purchase of own shares	0	-550	0	0	0	-550
Profit/loss for the current period	0	0	0	0	53 727	53 727
<b>Balance at 31/12/2017</b>	<b>100 721</b>	<b>-550</b>	<b>0</b>	<b>156</b>	<b>53 727</b>	<b>154 054</b>

## **1. GENERAL INFORMATION**

### **1.1 Incorporation and description of the business corporation**

Burza cenných papírů Praha, a.s. (henceforth the “Company” or “BCPP”), with its registered office at Rybná 14/682, Prague 1, was incorporated by means of a Memorandum of Association dated 24 July 1992 by twelve Czechoslovak banks and five brokerage firms.

The Company was registered in the Commercial Register maintained by the Municipal Court in Prague, under section B, insert 1773 on 24 November 1992.

The principal activity of the Company is to organise the trading of financial instruments in compliance with generally binding legal regulations, the rules and regulations of the stock exchange and the authorisation to operate issued by decision no. 102/58294/92 of 16 October 1992 of the Ministry of Finance of the Czech Republic as amended based on a decision of the Ministry of Finance of the Czech Republic, the Securities Committee and the Czech National Bank.

On 15 December 2016, CEESEG AG increased its interest in the Company to holding 99.355% of the Company’s shares. CEESEG AG purchased a 6.56% interest from Moneta Money Bank a.s. that is traded on the Prague Stock Exchange Prime Market. The number of current shareholders is six (see note 3.7).

On 23 December 2016, the Company’s shares changed from paper to book-entry form.

### **1.2 Year-on-year changes and amendments to the Commercial Register**

On 17 March 2017, two members of the supervisory board were recorded to the Commercial Register.

On 31 October 2016, the Company decreased its registered capital, as the registered capital amount significantly exceeded the legal requirement on the registered capital or equity and the Company did not effectively need these funds for its business activities.

The corporation has conformed to Act No. 90/2012 Coll., on Corporations and Cooperatives, as a whole in accordance with Section 777 (5) of the Act.

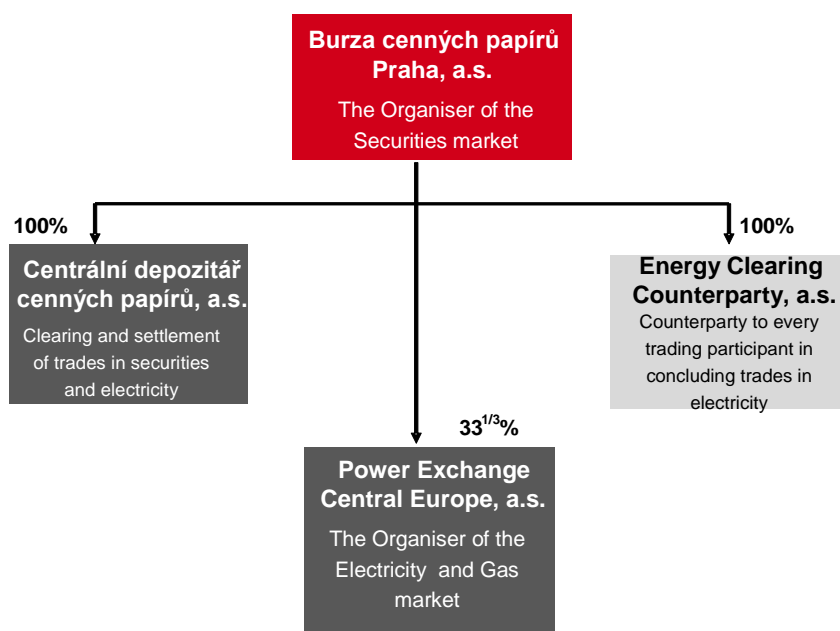
### **1.3 Organizational Structure of the Company**

The following units report directly to the CEO:

- Legal Department;
- Internal Audit and Security Department;
- Secretariat of Chief Executive Officer and mail room;
- Trading and Securities Department;
- Information Technological Development and Operation Department;
- Software Development Department;
- Finance and Administration Department;
- External Communication Department.

## 1.4 Group Identification

### Structure as at 31 December 2017



From 8 December 2008, the majority owner of Burza cenných papírů Praha, a.s. is CEESEG AG, holding 99.355% of the Company's shares as 31 December 2017 (2016: 99.355%).

#### 1.4.1 Centrální depozitář cenných papírů, a.s.

Centrální depozitář cenných papírů, a.s., (formerly "UNIVYC, a.s."), with its registered office at Rybná 14, Praha 1, was recorded in the Commercial Register on 8 October 1996. It was established by the conversion of Burzovní registr cenných papírů, s.r.o., becoming its legal successor. The sole shareholder is Burza cenných papírů Praha, a.s. UNIVYC, a.s. asked the capital market regulator to grant a licence to organise a central depository of securities pursuant to Section 100 of Act No. 256/2004 Coll., on business activities on the capital market. UNIVYC, a.s. received the licence based on a decision of the Czech National Bank of 14 August 2009 and subsequently changed its name to Centrální depozitář cenných papírů, a.s. ("CDCP").

The activity of central depository under the CNB licence was started on 2 July 2010. At this date the transfer of records of dematerialized and immobilized securities from Středisko cenných papírů was successfully completed.

On 18 December 2015, CDCP changed its shares from paper to book-entry form.

The registered capital of Centrální depozitář cenných papírů, a.s. as at 31 December 2016 was TCZK 100 000.

The basic business activities of the Company are operation of the system for stock exchange and OTC trade settlement, lending of securities, administration of collateral funds, custody and administration of investment securities, managing of central records of dematerialized securities issued in the Czech Republic and assignment of identification codes (ISIN) to investment instruments. The central depository operates on a participation principle and it provides its

services related to administration of securities evidence as well as trade settlement through the participants. The central depository also provides services for securities issuers.

#### **1.4.2 Energy Clearing Counterparty, a.s.**

Energy Clearing Counterparty, a.s. ("EnCC"), with its registered office at Rybná 682/14, Praha 1, was incorporated by means of a Founding Contract dated 18 July 2008 and recorded in the Commercial Register on 6 August 2008.

On 1 January 2014, EnCC assumed the assets and liabilities of the dissolved companies: Central Counterparty, a.s. ("CCP") and Central Clearing Counterparty, a.s. ("CCC"), including rights and obligations from labour-law relations, becoming the universal legal successor of the dissolved companies.

The registered capital of Energy Clearing Counterparty, a.s. as at 31 December 2017 was TCZK 2 000.

The Company's business activities are the lease of real estate, residential and non-residential premises and electricity trading.

#### **1.4.3 POWER EXCHANGE CENTRAL EUROPE, a.s.**

Energetické burza Praha, with its registered office at Rybná 682/14 Praha 1, was established by means of a Founding Contract on 8 January 2007. The incorporators were BCPP (a contribution of TCZK 20 000), CDCP (a contribution of TCZK 20 000) and CCP (a contribution of TCZK 20 000). Energetické burza Praha was recorded in the Commercial Register on 5 March 2007.

On 1 July 2009, Energetická burza Praha converted into joint-stock company POWER EXCHANGE CENTRAL EUROPE, a.s. ("PXE"). This company obtained a licence from the Czech National Bank (the CNB) to organise commodity derivatives market on 4 February 2009. Pursuant to Amendment to Act No. 230/2008 Coll., on business activities in the capital market, adopted in 2008, commodity derivatives that are regularly traded in an organised market are considered investment instruments and, consequently, any entity organising a market with these instruments is subject to the CNB's supervision and requires the CNB's licence. The licence allows PXE to organise a derivatives market with physical settlement but also to list products with financial settlement. Another benefit is that the finance market regulator's licence is acknowledged in the entire territory of the European Union, enabling the Company to flexibly deal with its plans of expansion in Central and Eastern Europe.

On 18 December 2015, PXE changed its shares from paper to book-entry form.

In January 2016 BCCP, CDCP and EnCC signed an agreement with European Energy Exchange ("EEX"), based on which EEX acquired 66.67% of PXE's shares.



**1.5 Exchange Chamber and Supervisory Board as at 31 December 2017**

	<b>Position</b>	<b>Name</b>
<b>Exchange Chamber</b>	Member	Petr Kobic Christoph Boschan Ludwig Niessen Helena Čacká David Kučera
<b>Supervisory Board</b>	Member	Jan Vedral Jan Sýkora Martin Novák Daniel Heler Angelika Sommer-Hemetsberger Heimo Scheuch

## 2. ACCOUNTING POLICIES

### 2.1 Basic principles of financial statements preparation

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 not 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.

The consolidated financial statements of the widest group of entities to which the Company as a consolidated entity belongs are prepared by CEESEG AG, with its registered office at Wallnerstraße 8, A-1010 Vienna. The consolidated financial statements are available at the consolidating entity's registered office.

### 2.2 Tangible fixed assets

Tangible fixed assets with a 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 include all costs incurred in bringing the assets to their present location and condition.

Tangible assets with a useful life longer than one year, and whose cost does not exceed TCZK 30 per unit are not disclosed in the balance sheet, but are recorded to expenses in the year of their acquisition and are kept in the operational records.

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

Asset category	Accounting depreciation
Computer equipment	3 years
Furniture and fixtures	3 years
Non-capitalized tangible assets	2 - 3 years

#### Establishment of adjustments

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

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

## 2.3 Intangible fixed assets

All intangible assets with a useful life of more 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 a useful life longer than one year and whose cost does not exceed TCZK 40 per unit are not disclosed in the balance sheet, but are recorded to expenses in the year of their acquisition and are kept in the operational records.

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

Asset category	Accounting depreciation
Software	3 years
Other intangible fixed assets	3 years
Low value intangible assets	2 - 3 years

### Establishment of adjustments

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

## 2.4 Investments in controlled entities/subsidiaries and associates

Investments in controlled entities/subsidiaries represent enterprises that are controlled by the Company ("the subsidiary").

Investments in associates represent enterprises over which the Company has significant influence, i.e. the power to participate in financial and operating policy decisions, but not control ("the associate").

Investments in subsidiaries and associates are recorded at cost less a provision for potential impairment. Cost includes expenses directly incurred in connection with the acquisition, such as fees and commissions paid to brokers and advisors.

## 2.5 Other securities and investments

The Company classifies securities and investments, other than investments in subsidiaries and associates as trading or held-to-maturity.

Securities that are acquired principally for the purpose of generating profits from short-term (maximum one year) price fluctuations are classified as trading investments and included in current assets.

Investments with a fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, unless the date of maturity falls within 12 months of the balance sheet date. In case of maturity shorter than 12 months, debt securities are recognised in short term assets.

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

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

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

## **2.6 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, stamps and vouchers, and cash in banks, including bank overdrafts.

Cash equivalents are short-term highly liquid investments that can be exchanged for a predictable amount of cash and no significant changes in value over time are expected. Cash equivalents are, for example, deposits with a maturity of less than three months from the date of acquisition and liquid commercial paper traded in public markets.

## **2.7 Foreign currency translation**

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

Cash, receivables and liabilities balances 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 balances are recorded in the income statement.

## **2.8 Receivables**

Receivables are stated at nominal value less a provision for doubtful amounts. An adjustment for bad debts is created on the basis of an ageing analysis and individual evaluation of the recoverability of the receivables. Receivables from related parties are not provided for. Bad debts are written off after the bankruptcy proceedings of the debtor.

## **2.9 Derivative financial instruments**

The Company uses derivative financial instruments to reduce or eliminate financial risks. All derivatives are used for hedging purposes, however hedge accounting is not applied as both the hedged items and the derivatives are fair valued through profit or loss.

Derivative financial instruments including foreign exchange contracts, currency swaps and other derivative financial instruments are initially recognized in the balance sheet at cost and subsequently re-measured at their fair value. Fair values are derived from quoted market prices, discounted cash flow models and option pricing models, as appropriate. All derivatives are presented as other receivables or other payables when their fair value is positive or negative, respectively.

Changes in the fair value of derivatives held for trading are included in other financial income or other financial expenses.

## **2.10 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.

## **2.11 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.

## **2.12 Deferred tax**

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

## **2.13 Own shares**

The transferability of shares is restricted as they may be transferred to third parties only after the approval of the Exchange Chamber members in attendance. Approval is subject to the consent of a two-thirds majority of the Exchange Chamber members in attendance. The Company is obligated to repurchase its own shares if the Exchange Chamber does not approve the transfer to another party. The Company is required to sell these shares within a three-year period from the acquisition. If it fails to do so, it is obligated to withdraw those shares from circulation and reduce its share capital balance by their nominal value, according to valid articles of association at the date of preparation of the financial statements.

Repurchased own shares are stated at cost as a deduction from the share capital. In 2016, repurchased own shares were destroyed as a result of a decrease of the Company's registered capital.

## **2.14 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 other subsidiaries and associates of these shareholders;
- members of the Exchange Chamber and Supervisory Board, management, parent companies and parties close to such members, including entities in which they have a controlling or significant influence; and/or
- subsidiaries and associates.

Material transactions and outstanding balances with related parties are disclosed in Note 3.5.6, 3.9.6, and 3.19.

## **2.15 Revenue recognition**

Sales are recognized when services are rendered and are recognized net of discounts and VAT.

## **2.16 Leasing**

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

## **2.17 Supplementary retirement insurance and life insurance**

Regular contributions are made to the state to fund the national pension plan. The Company also provides contributions to defined contribution plans operated by independent pension funds.

## **2.18 Group registration for VAT**

The companies Burza cenných papírů Praha, a.s., POWER EXCHANGE CENTRAL EUROPE, a.s., Centrální depozitář cenných papírů, a.s. (henceforth "Group") established a group with effect from 1 January 2009 for the purposes of registration for value added tax under Act No. 235/2004 Coll., as amended. Energy Clearing Counterparty, a.s. joined the Group as at 1 January 2011. All the companies within the Group have a joint tax identification number.

As at 1 January 2017, the group used an advance VAT coefficient of 100% (1 January 2016: 100%) to claim VAT deduction on input for the whole group for 2017. In the VAT return for December 2017 the Company calculated a settlement coefficient for 2017, amounting to 100% and representing an advance VAT coefficient for 2018.

The VAT tax return is submitted for the Group by its representing member, i.e. BCPP. Other Group members recognize parts of their own tax duty falling on them, resp. the excessive deduction, and register a payable for resp. a receivable from BCPP in their books.

## **2.19 Use of estimates**

The preparation of financial statements requires the application of estimates and forecasts influencing reported values of assets and liabilities at the date of the 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 significantly differ from real values in forthcoming accounting periods.

## **2.20 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 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.

## **2.21 Change in accounting policies and procedures**

The Company did not change any accounting policies and procedures in 2017 or 2016.

**3. ADDITIONAL INFORMATION ON THE BALANCE SHEET AND THE INCOME STATEMENT****3.1 Fixed assets****3.1.1 Intangible fixed assets**

(in TCZK)			
<b>Acquisition cost</b>	<b>Software</b>	<b>Other intangible FA</b>	<b>Total</b>
<b>Balance as at 1/1/2016</b>	<b>41 736</b>	<b>3 900</b>	<b>45 636</b>
Additions	235	0	235
Disposals	-8	0	-8
<b>Balance as at 31/12/2016</b>	<b>41 963</b>	<b>3 900</b>	<b>45 863</b>
Additions	0	0	0
Disposals	0	0	0
<b>Balance as at 31/12/2017</b>	<b>41 963</b>	<b>3 900</b>	<b>45 863</b>

(in TCZK)			
<b>Accumulated amortization</b>	<b>Software</b>	<b>Other intangible FA</b>	<b>Total</b>
<b>Balance as at 1/1/2016</b>	<b>41 623</b>	<b>3 900</b>	<b>45 523</b>
Additions	77	0	77
Disposals	-8	0	-8
<b>Balance as at 31/12/2016</b>	<b>41 692</b>	<b>3 900</b>	<b>45 592</b>
Additions	177	0	177
Disposals	0	0	0
<b>Balance as at 31/12/2017</b>	<b>41 869</b>	<b>3 900</b>	<b>45 769</b>

(in TCZK)			
<b>Net Book value</b>	<b>Software</b>	<b>Other intangible FA</b>	<b>Total</b>
Balance as at 1/1/2016	113	0	113
Balance as at 31/12/2016	271	0	271
Balance as at 31/12/2017	94	0	94

Additions to intangible fixed assets are in the amount of TCZK 0 (2016: TCZK 235). In 2016 they were represented mainly by improvements of software.

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

(in TCZK)	
	<b>Amortization</b>
2017	177
2016	77

In 2017 and 2016 no adjustments to intangible fixed assets were created.

The Company reported off-balance sheet assets of TCZK 787 (2016: TCZK 464).

**3.1.2 Tangible Fixed Assets**

(in TCZK)

Acquisition cost	Computer equipment	Furniture and fixtures	Non-capitalised tangible assets	Total
<b>Balance as at 1/1/2016</b>	<b>21 041</b>	<b>7 098</b>	<b>7 841</b>	<b>35 980</b>
Additions	2 099	0	138	2 237
Disposals	-925	-137	-1 166	-2 227
<b>Balance as at 31/12/2016</b>	<b>22 215</b>	<b>6 961</b>	<b>6 813</b>	<b>35 989</b>
Additions	1 190	63	169	1 422
Disposals	0	0	0	0
<b>Balance as at 31/12/2017</b>	<b>23 405</b>	<b>7 024</b>	<b>6 982</b>	<b>37 411</b>

(in TCZK)

Accumulated depreciation	Computer equipment	Furniture and fixtures	Non-capitalised tangible assets	Total
<b>Balance as at 1/1/2016</b>	<b>17 287</b>	<b>5 172</b>	<b>7 767</b>	<b>30 226</b>
Additions	2 343	561	79	2 983
Disposals	-925	-136	-1 166	-2 227
<b>Balance as at 31/12/2016</b>	<b>18 705</b>	<b>5 597</b>	<b>6 680</b>	<b>30 982</b>
Additions	2 338	749	65	3 152
Disposals	0	0	0	0
<b>Balance as at 31/12/2017</b>	<b>21 043</b>	<b>6 346</b>	<b>6 745</b>	<b>34 134</b>

(in TCZK)

Accumulated depreciation	Computer equipment	Furniture and fixtures	Non-capitalised tangible assets	Total
Balance as at 1/1/2016	3 754	1 927	73	5 754
Balance as at 31/12/2016	3 510	1 364	133	5 007
Balance as at 31/12/2017	2 362	678	237	3 277

In 2017 the Company paid TCZK 13 (2016: TCZK 0) on advances for tangible fixed assets.

In 2017, additions to tangible fixed assets in the amount of TCZK 1 422 (2016: TCZK 2 237) are represented by the acquisition of computer equipment in connection with the renewal of outdated computer equipment.

Disposals of tangible fixed assets amounted to TCZK 0 in 2017 (2016: TCZK 2 227). The disposals for 2016 represent disposal of obsolete computers, and servers.

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

(in TCZK)

	Depreciation
2017	3 152
2016	2 983

In 2017 and 2016 no adjustments against tangible fixed assets were created.

Off-balance sheet tangible fixed in operational records assets amount to TCZK 5 502 (2016: TCZK 4 671).

None of the assets is pledged as collateral.



### 3.2 Leased assets

As at 31 December 2017, the Company has cars under operating leases. The aggregate amount of payments excluding VAT made in 2017 was TCZK 1 807 (2016: TCZK 1 768). The Company resides in the rented premises. In 2017, the lease period was extended. Total lease payments relating to these premises (including back office premises) were TCZK 7 665 (2016: TCZK 9 319).

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

	(in TCZK)	
	Balance as at 31 December 2017	Balance as at 31 December 2016
Current within one year	11 380	10 991
Due after one year but within five years	40 753	34 569
More than five years	22 016	25 479
<b>Total</b>	<b>74 149</b>	<b>71 039</b>

### 3.3 Long-term investments

The Company is the sole shareholder of Centrální depozitář cenných papírů, a.s., Energy Clearing Counterparty a.s. and has one-third share in POWER EXCHANGE CENTRAL EUROPE, a.s.

The share capital of CDCP amounts to TCZK 100 000 (2016: TCZK 100 000) and that of EnCC amounts to TCZK 2 000 (2016: TCZK 2 000). The Company also holds a one third share in PXE whose share capital amounts to TCZK 30 000 (2016: TCZK 30 000) and the Company's share in the registered capital of PXE is TCZK 10 000 (2016: TCZK 10 000).

	(in TCZK)			
Acquisition Cost	Balance as at 31 December 2016	Additions	Disposals	Balance as at 31 December 2017
Centrální depozitář cenných papírů, a.s. <sup>1)</sup>	90 100	0	0	90 100
POWER EXCHANGE CENTRAL EUROPE, a.s.	10 000	0	0	10 000
Energy Clearing Counterparty, a.s. <sup>2)</sup>	20 346	0	0	20 346
<b>Total</b>	<b>120 446</b>	<b>0</b>	<b>0</b>	<b>120 446</b>

	(in TCZK)			
Name of the company	Registered office	Equity	Profit for the year 2017	Ownership
Centrální depozitář cenných papírů, a.s.	Praha 1, Rybná 682/14	410 390	128 123	100,00 %
POWER EXCHANGE CENTRAL EUROPE, a.s.	Praha 1, Rybná 682/14	41 204	6 989	33,33 %
Energy Clearing Counterparty, a.s.	Praha 1, Rybná 682/14	9 268	164	100,00 %

An addition made based on the requirement imposed by Section 39b/1 of Decree No. 500/2002 Coll., implementing certain provisions of the Act on Accounting, as amended, for business entities using double-entry bookkeeping

<sup>1)</sup> Centrální depozitář cenných papírů a.s. is the legal successor of Burzovní registr cenných papírů, s.r.o. In 1996 and 1999, the registered capital of Centrální depozitář cenných papírů a.s. was increased using the retained profits of Burzovní registr cenných papírů, s.r.o. and Centrální depozitář cenných papírů a.s.

<sup>2)</sup> In 2014, Energy Clearing Counterparty, a.s. merged with CCP and CCC. The registered capital of CCP of TCZK 3 000, the registered capital of CCC of TCZK 2 000 and other capital contributions of CCC of TCZK 7 166 have become an integral part of the company's long-term investments. Energy Clearing Counterparty offset these amounts against accumulated losses.

(in TCZK)

Adjustment	Balance as at 31 December 2016	Additions	Disposals	Balance as at 31 December 2017
Energy Clearing Counterparty, a.s.	4 000	0	0	4 000
<b>Total</b>	<b>4 000</b>	<b>0</b>	<b>0</b>	<b>4 000</b>

(in TCZK)

Net value	Balance as at 31 December 2016	Additions	Disposals	Balance as at 31 December 2017
Centrální depozitář cenných papírů, a.s.	90 100	0	0	90 100
POWER EXCHANGE CENTRAL EUROPE, a.s.	10 000	0	0	10 000
Energy Clearing Counterparty, a.s.	16 346	0	0	16 346
<b>Total</b>	<b>116 446</b>	<b>0</b>	<b>0</b>	<b>116 446</b>

As at 31 December 2017, Centrální depozitář cenných papírů, a.s. reports equity of TCZK 410 390 (2016: TCZK 282 267). In 2017 it generated a profit of TCZK 128 123 (2016: TCZK: 163 461). Based on the decision of its sole shareholder, the shares on profits from the 2017 profit were not paid in 2017 (2016: TCZK 103 700).

As at 31 December 2017, PXE reports equity of TCZK 41 204 (2016: TCZK 34 215). In 2017 it generated a profit after tax of TCZK 6 989 (2016: TCZK 3 947). Based on the decision of the general meeting, the shares on profit were not paid in 2017 (2016: TCZK 1 000).

In 2016, based on a decision of the general meeting of PXE dated 17 December 2015 the existing amount of the registered capital of TCZK 60 000 (as at 31 December 2015) will be reduced by TCZK 30 000. The amount of TCZK 30 000, corresponding to the reduction of the registered capital of PXE, will be distributed among PXE's shareholders according to their shares. The reason for the reduction of PXE's registered capital is the fact that its amount significantly exceeds the statutory requirement for the amount of registered capital or equity and the shareholders can use the funds available after the reduction of the registered capital for other purposes.

The reduction of the registered capital of PXE will be carried out as a reduction of the nominal value of all PXE shares, specifically reducing the nominal value of 60 registered shares with a nominal value of TCZK 1 000 per share to a new nominal value of TCZK 500 per share. As a result of the decision of PXE's general meeting on transformation of all ordinary registered shares issued as share certificates to registered book-entered shares, the reduction of the nominal value will be carried out by PXE giving an order to the entity authorised to keep the records of book-entered shares to change the nominal value of each share to the new nominal value of TCZK 500.

As at 31 December 2017, EnCC reports equity of TCZK 9 268 (2016: TCZK 9 104) and profit of TCZK 164 for 2017 (2016: TCZK 48 922). In 2016, the Company received an advance for the payment of a profit share for 2016 of TCZK 48 000 from EnCC, which was approved by the General Meeting in 2017.

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

**3.4 Financial assets**

	(in TCZK)	
Financial assets	Balance as at 31 December 2017	Balance as at 31 December 2016
<b>Cash, of it:</b>	<b>35</b>	<b>233</b>
- cash in hand	32	66
- valuables	3	167
<b>Bank accounts, of it:</b>	<b>23 729</b>	<b>179 200</b>
- current accounts	23 729	179 200
<b>Total financial assets</b>	<b>23 764</b>	<b>179 433</b>

**3.5 Short-term receivables****3.5.1 Trade receivables**

	(in TCZK)	
Short-term	Balance as at 31 December 2017	Balance as at 31 December 2016
- trade receivables	10 338	10 984
- other trade receivables	0	0
<b>Total trade receivables</b>	<b>10 338</b>	<b>10 984</b>
- adjustments	-939	-941
<b>Total</b>	<b>9 399</b>	<b>10 043</b>

**3.5.2 Ageing of short-term trade receivables**

Year	Category	Due	(in TCZK)					Total
			Past due date					
			1 – 90 Days	91 – 180 days	181 – 365 days	1 - 2 years	2 and more years	
2017	Short-term	9 399	0	0	0	0	939	10 338
	Adjustments	0	0	0	0	0	-939	-939
	<b>Net</b>	<b>9 399</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9 399</b>
2016	Short-term	10 043	0	0	0	0	941	10 984
	Adjustments	0	0	0	0	0	-941	-941
	<b>Net</b>	<b>10 043</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10 043</b>

Unpaid trade receivables are not secured. The Company has receivables which are more than five years after maturity amounting to TCZK 939 (2016: TCZK 941). These receivables are covered by adjustments of 100%.

**3.5.3 Adjustments to receivables**

	(in TCZK)	
<b>Adjustments to receivables</b>	<b>2017</b>	<b>2016</b>
Balance as at 1 January	941	946
Release	-2	-5
<b>Balance as at 31 December</b>	<b>939</b>	<b>941</b>

**3.5.4. Tax receivables**

	(in TCZK)	
	<b>Balance as at 31 December 2017</b>	<b>Balance as at 31 December 2016</b>
Income tax	3 722	1 331
<b>Total</b>	<b>3 722</b>	<b>1 331</b>

In November and December 2017, the VAT clearing in the Group amounted to TCZK 3 411 (in 2016, a receivable of TCZK 1 004 was reported). The receivable was further divided among the VAT members of the Group (note 3.5.6 and 3.9.6). The item also includes the right to the VAT deduction of TCZK 280 (2016: TCZK 327) that will be exercised in January 2018. It concerns payments received in 2017 where the date of implementation of taxable supplies was determined for January 2018.

**3.5.5 Estimated receivables**

	(in TCZK)	
<b>Name of the company</b>	<b>Balance as at 31 December 2017</b>	<b>Balance as at 31 December 2016</b>
Not invoice estimates - others	14	10
Not invoiced stock exchange information from Wiener Börse AG	18 005	19 454
Not invoiced services connected with lease	27	644
<b>Total of estimated receivables</b>	<b>18 046</b>	<b>20 108</b>

The amount of estimates is represented especially by not-invoiced services connected to selling of exchange information in the amount of TCZK 18 005 (2016: TCZK 19 454).

## 3.5.6 Receivables from related parties

(in TCZK)

Name of the company	Balance as at 31 December 2017	Balance as at 31 December 2016
<b>Short-term trade receivables</b>		
Centrální depozitář cenných papírů, a.s.	7 025	7 005
POWER EXCHANGE CENTRAL EUROPE, a.s.	18	6
Energy Clearing Counterparty, a.s.	2	2
Wiener Börse AG (Affiliate)	134	0
CEEESE AG (parent company)	61	0
<b>Total short-term receivables</b>	<b>7 241</b>	<b>7 013</b>

(in TCZK)

Name of the company	Balance as at 31 December 2017	Balance as at 31 December 2016
<b>Receivables – group undertakings</b>		
POWER EXCHANGE CENTRAL EUROPE, a.s.	0	87
Energy Clearing Counterparty, a.s.	0	1 250
<b>Total</b>	<b>0</b>	<b>1 337</b>

Receivables from shareholders represent especially VAT. In 2017 the Company recorded no VAT receivable.

(in TCZK)

Name of the company	Balance as at 31 December 2017	Balance as at 31 December 2016
<b>Estimate receivables</b>		
Centrální depozitář cenných papírů, a.s.	37	8
POWER EXCHANGE CENTRAL EUROPE, a.s.	2	1
Energy Clearing Counterparty, a.s.	2	1
Wiener Börse AG (Affiliate)	18 005	19 454
<b>Total</b>	<b>18 046</b>	<b>19 464</b>

(in TCZK)

Name of the company	Balance as at 31 December 2017	Balance as at 31 December 2016
<b>Accrued expenses</b>		
Centrální depozitář cenných papírů, a.s.	0	411
POWER EXCHANGE CENTRAL EUROPE, a.s.	0	32
Energy Clearing Counterparty, a.s.	0	9
<b>Total</b>	<b>0</b>	<b>452</b>

No receivables from related parties are overdue.

**3.6 Deferred expenses and accrued income**

	(in TCZK)	
	Balance as at 31 December 2017	Balance as at 31 December 2016
IT	3 291	3 580
Rental of non-residential premises	3 214	2 451
Insurance	116	158
Other	487	1 154
<b>Deferred expenses</b>	<b>7 108</b>	<b>7 343</b>
<b>Total accruals and deferrals</b>	<b>7 108</b>	<b>7 343</b>

**3.7 Equity****3.7.1 Share capital**

The Company's share capital recorded in the Commercial Register as at 31 December 2017 of TCZK 100 721 (2016: TCZK 100 721) is divided into 265 056 registered shares with a nominal value of TCZK 380 per share (2016: TCZK 380).

**3.7.2 Own shares**

In 2017, the Company purchased 110 of its own shares at acquisition price of TCZK 550.

**3.7.3 Profit for the year 2016 and planned distribution of profit 2017**

Profit for 2016 of TCZK 213 091 was approved and distributed based on the decision of the General Meeting held on 23 May 2017. The total profit distribution was TCZK 214 076. For the distribution of profits, retained profits of TCZK 985 were used.

The Company plans to distribute profit of 2017 in the amount of TCZK 53 727 as profit share.

**3.8 Provisions**

	(in TCZK)	
	Income tax provisions	Other provisions
<b>Balance as at 1 January 2017</b>	<b>2 088</b>	<b>0</b>
Utilization	-2 088	0
Additions	407	1 072
<b>Balance as at 31 December 2017</b>	<b>407</b>	<b>1 072</b>

	(in TCZK)	
	2017	2016
Income tax provisions	407	2 088
Other provisions	1 072	0
<b>Balance as at 31 December</b>	<b>1 479</b>	<b>2 088</b>

In 2017, the Company paid advances for corporate income tax of TCZK 14 181 (2016: TCZK 13 501). The tax liability for 2017 amounted to TCZK 14 588 (2016: TCZK 15 589). The final provision is TCZK 407 (2016: Tax receivables of TCZK 2 088).

**3.9 Liabilities****3.9.1 Short-term trade payables**

	(in TCZK)	
	Balance as at 31 December 2017	Balance as at 31 December 2016
<b>Short-term trade payables and received advances</b>		
Short-term		
- trade payables	5 466	4 243
<b>Total trade payables</b>	<b>5 466</b>	<b>4 243</b>

None of trade payables are past due or secured.

**3.9.2. Payables to employees**

As at 31 December 2017 the Company reports payables to employees of TCZK 5 218 (2016: TCZK 5 195).

**3.9.3 Social security and health insurance liabilities**

As at 31 December 2017 social security and health insurance liabilities amount to TCZK 2 152 (2016: TCZK 2 265). These liabilities are not past due.

**3.9.4. Tax liabilities and subsidies**

	(in TCZK)	
	Balance as at 31 December 2017	Balance as at 31 December 2016
Other direct taxes	1 567	1 635
Other indirect taxes and charges	0	86
<b>Total</b>	<b>1 567</b>	<b>1 721</b>

As at 31 December 2017 the Company reports a payable arising from the taxation of employees' wages of TCZK 1 547. These liabilities are not past due.

None of these liabilities are overdue.

**3.9.5 Estimated payables**

Estimated payables of TCZK 6 911 (2016: TCZK 7 457) primarily include estimated employee bonuses of TCZK 6 787 (2016: TCZK 6 996), including social security and health insurance estimates.

**3.9.6 Payables to related parties**

	(in TCZK)	
Name of the company	Balance as at 31 December 2017	Balance as at 31 December 2016
<b>Short-term trade payables</b>		
Centrální depozitář cenných papírů, a.s.	39	62
Wiener Börse AG	312	137
<b>Total</b>	<b>351</b>	<b>199</b>

Name of the company	(in TCZK)	
	Balance as at 31 December 2017	Balance as at 31 December 2016
<b>Liabilities to shareholders/owners and alliance partners</b>		
Centrální depozitář cenných papírů, a.s.	914	710
POWER EXCHANGE CENTRAL EUROPE, a.s.	30	0
Energy Clearing Counterparty, a.s.	522	28
Shareholders of BCPP	0	1 060
<b>Total</b>	<b>1 466</b>	<b>1 798</b>

Payables to members comprise mainly payables relating to VAT.

Name of the company	(in TCZK)	
	Balance as at 31 December 2017	Balance as at 31 December 2016
<b>Estimated payables</b>		
Centrální depozitář cenných papírů, a.s.	0	391
POWER EXCHANGE CENTRAL EUROPE, a.s.	0	33
Energy Clearing Counterparty, a.s.	0	11
<b>Total</b>	<b>0</b>	<b>435</b>

Name of the company	(in TCZK)	
	Balance as at 31 December 2017	Balance as at 31 December 2016
<b>Deferred revenues</b>		
Centrální depozitář cenných papírů, a.s.	1 171	714
POWER EXCHANGE CENTRAL EUROPE, a.s.	195	36
Energy Clearing Counterparty, a.s.	24	14
<b>Total</b>	<b>1 390</b>	<b>764</b>

### 3.10 Accruals

	(in TCZK)	
	Balance as at 31 December 2017	Balance as at 31 December 2016
<b>Accrued expenses</b>	<b>122</b>	<b>41</b>
Other	122	41
<b>Deferred revenues</b>	<b>1 391</b>	<b>1 432</b>
Other	1 391	1 432
<b>Accruals - liabilities</b>	<b>1 513</b>	<b>1 473</b>

### 3.11 Deferred tax

The deferred tax asset is formed by the following items arisen from temporary differences:

Deferred tax	(in TCZK)	
	Balance as at 31 December 2017	Balance as at 31 December 2016
Difference between the tax and net book value of fixed assets	-170	-323
Provisions	204	0
Social and health insurance	327	337
Deferred tax asset (+) / liability (-)	361	14
<b>Revenue (+) / expense (-) from change of deferred tax</b>	<b>347</b>	<b>115</b>



The deferred tax as at 31 December 2017 is calculated by the tax rate of 19% (the tax rate for 2016 and later) depending on the period where the settlement of temporary differences is expected.

The deferred tax as at 31 December 2016 was calculated by the tax rate of 19%.

### 3.12 Income tax on ordinary activities

The income tax charge for the year can be reconciled to the profit according to the income statement, as follows:

	(in TCZK)	
	Balance as at 31 December 2017	Balance as at 31 December 2016
Profit before tax	67 162	227 496
Theoretical tax at a tax rate of 19% (2016: 19%)	12 761	43 224
Tax effect of not deductible expenses	1 828	1 379
Tax effect of non-taxable income	0	-29 014
Tax returned from previous years	-807	-1 069
<b>Current tax</b>	<b>13 782</b>	<b>14 520</b>
Change in deferred tax	-347	-115
<b>Total income tax on ordinary activities</b>	<b>13 435</b>	<b>14 405</b>
Income tax prepayment	14 181	13 501
Income tax provision	407	2 088

**3.13 Details of revenues by principal activity**

(in TCZK)

	2017			2016		
	Domestic	Foreign	Total	Domestic	Foreign	Total
<b>Stock exchange fees</b>	<b>35 660</b>	<b>6 901</b>	<b>42 561</b>	<b>38 179</b>	<b>8 538</b>	<b>46 717</b>
Annual trading fees	5 980	1 840	7 820	5 980	2 300	8 280
Listing fees	11 818	2 355	14 173	10 700	2 961	13 661
Trading fees	17 862	2 706	20 568	21 499	3 277	24 776
Services relating to settlement	61 260	0	61 260	60 828	0	60 828
Stock exchange information	9	36 411	36 420	214	38 409	38 623
Services for PXE	4 635	0	4 635	4 635	0	4 635
Services for CDCP - IT	34 073	0	34 073	31 419	0	31 419
Other	7 715	0	7 715	8 317	0	8 317
<b>Total income from the sale of services</b>	<b>143 352</b>	<b>43 312</b>	<b>186 664</b>	<b>143 592</b>	<b>46 947</b>	<b>190 539</b>

**3.14 Services**

(in TCZK)

	Year 2017	Year 2016
Repairs and maintenance	930	710
Travel expenses	873	1 028
Representation costs	682	584
Rental and services	12 977	14 175
Operating leases	1 807	1 768
Advisory and legal services	8 118	4 213
Audit	1 725	1 725
Promotion	2 447	3 695
Servicing	15 579	15 487
Training, workshops, conferences	1 092	963
Other services	10 992	9 921
<b>Total</b>	<b>57 222</b>	<b>54 269</b>

**3.15 Other operating income**

(in TCZK)

	Year 2017	Year 2016
Other operating income	53	0
<b>Total other operating income</b>	<b>53</b>	<b>0</b>

**3.16 Other operating expenses**

	(in TCZK)	
	Year 2017	Year 2016
Gifts	40	64
Insurance premiums	449	470
Membership payments to associations (ECSDA, AKAT)	21	23
Other operating expenses	1 035	872
<b>Total other operating expenses</b>	<b>1 545</b>	<b>1 429</b>

**3.17 Financial income**

	(in TCZK)	
	Year 2017	Year 2016
<b>Income from Long-term investments:</b>	<b>0</b>	<b>152 700</b>
- dividends received from subsidiaries (CDCP)	0	103 700
- dividends received from associates (PXE)	0	1 000
- dividends received from associates (EnCC)	0	48 000
<b>Other financial revenues</b>	<b>138</b>	<b>30 055</b>
- bonds	0	29 925
- foreign exchange gains	138	130
<b>Interest revenue and similar revenue</b>	<b>21</b>	<b>307</b>
- bank accounts	0	22
- securities	0	14
- loans to related parties	21	208
- loans to CEESEG	0	63
<b>Total financial income</b>	<b>159</b>	<b>183 062</b>

In 2017, the Company did not receive any proceed from profit share from its subsidiaries and associates.

**3.18 Financial expenses**

	(in TCZK)	
	Year 2017	Year 2016
<b>Other financial expenses</b>	<b>528</b>	<b>30 181</b>
- expense from financial assets (portfolio)	0	29 881
- foreign currency exchange losses	430	172
- other bank fees	81	108
- bank guarantees	18	20
<b>Interest expenses</b>	<b>26</b>	<b>45</b>
- on loans	26	45
<b>Total</b>	<b>554</b>	<b>30 226</b>

**3.19 Related party transactions**

The Company conducted an analysis of transfer prices for transactions with related parties which included the determination of an economical justifiable valuation of IT support services. All contracts for the provision of technical support services between related parties were concluded in accordance with this analysis.

The above mentioned analysis and any related contract documentation for the provision of technical support were reviewed on 1 January 2014 and matched to trade and economic changes which have occurred in 2014. These were changes in the structure of technical support recipients and their ability to provide effective services related to stock trade settlements as well as an expansion of services provided by the central evidence of securities.

Effective from 1 January 2015, a Transfer price documentation was added to the analysis of transfer prices. The Transfer price documentation comprises the manner of determining financially justifiable valuation of the so-called support services.

**3.19.1 Revenues from related party transactions**

Year 2017				(in TCZK)
Entity	Relation to the Company	Services	Financial income	Total
Centrální depozitář cenných papírů, a.s.	subsidiary	88 636	5	88 641
Energy Clearing Counterparty, a.s.	subsidiary	134	35	169
POWER EXCHANGE CENTRAL EUROPE, a.s.	associate	5 281	1	5 282
CEESEG AG	parent company	62	0	62
Wiener Börse AG	affiliate	36 371	2	36 373
<b>Total</b>		<b>130 484</b>	<b>43</b>	<b>130 527</b>

Year 2016				(in TCZK)
Entity	Relation to the Company	Services	Financial income	Total
Centrální depozitář cenných papírů, a.s.	subsidiary	84 191	136 696	220 887
Energy Clearing Counterparty, a.s.	subsidiary	148	48 208	48 356
POWER EXCHANGE CENTRAL EUROPE, a.s.	associate	5 309	1 001	6 310
CEESEG AG	parent company	0	63	63
Wiener Börse AG	affiliate	38 299	0	38 299
<b>Total</b>		<b>127 947</b>	<b>185 968</b>	<b>313 915</b>

The Company provides to related parties other services, except technical support services according to contracts in compliance with the analysis of transfer prices, mainly:

- information sale cooperation and PX indices trading
- rent of non-residential premises including services related to rent.
- rent of phone lines
- interest-bearing subsidies

Financial revenues also include the disbursements of a profit share, see Note 3.17.

**3.19.2 Services purchased from related parties**

<b>Year 2017</b>					(in TCZK)
<b>Entity</b>	<b>Relation to the Company</b>	<b>Services</b>	<b>Operating expenses</b>	<b>Financial expenses</b>	<b>Total</b>
Centrální depozitář cenných papírů, a.s.	subsidiary	4 923	0	73	4 996
POWER EXCHANGE CENTRAL EUROPE, a.s.	associate	0	0	6	6
Energy Clearing Counterparty, a.s.	subsidiary	2 366	0	13	2 379
CEESEG AG	parent company	0	52	0	52
Wiener Börse AG	affiliate	10 000	0	81	10 081
<b>Total</b>		<b>17 289</b>	<b>52</b>	<b>173</b>	<b>17 514</b>

<b>Year 2016</b>					(in TCZK)
<b>Entity</b>	<b>Relation to the Company</b>	<b>Services</b>	<b>Operating expenses</b>	<b>Financial expenses</b>	<b>Total</b>
Centrální depozitář cenných papírů, a.s.	subsidiary	5 572	0	29 970	35 542
CEESEG AG	parent company	0	37	0	37
Wiener Börse AG	affiliate	8 971	0	85	9 056
<b>Total</b>		<b>14 543</b>	<b>37</b>	<b>30 055</b>	<b>44 635</b>

The company receives also other services than fulfilment from related parties, all according to contracts which are in compliance with the analysis of transfer prices. These services mainly relate to the XETRA trading system and to the sale of the EIB VAR/18, ISIN: CZ0000000179 bond.

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

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

The following tables summarize the average number of the Company's employees and management for the years 2017 and 2016:

	Average headcount		Personel expenses (in TCZK)	
	Year 2017	Year 2016	Year 2017	Year 2016
Employees	24	24	30 814	31 659
Management	7	7	18 450	19 056
<b>Total</b>	<b>31</b>	<b>31</b>	<b>49 264</b>	<b>50 715</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 2 229 (2016: TCZK 2 051).

The management includes the CEO and director of departments. Staff costs include also social and health insurance.

##### 4.2 Loans, borrowings and other benefits provided

During the years ended 2017 and 2016, total personnel expenses and other payments to the members of the Exchange Chamber and the Company's management:

Year 2017	(in TCZK)		
	Exchange Chamber	Management	Total
Remuneration provided to statutory board members	2 321	0	2 321
Life insurance and supplementary pension insurance benefits	0	295	295
Cars available for personal purposes	0	1 092	1 092
<b>Year 2016</b>			
Remuneration provided to statutory board members	2 353	0	2 353
Life insurance and supplementary pension insurance benefits	0	295	295
Cars available for personal purposes	0	1 033	1 033

Amounts correspond with internal details and Company regulations. Cars to be used for private purposes represent non-cash benefits provided to the Management.

Supervisory Board members did not receive any bonuses during the years 2017 and 2016.

The Company does not report any payables relating to pension liabilities agreed by former members of management, supervisory and administrative bodies.

### 4.3 Contingent liabilities

#### 4.3.1 Bank guarantees

The Company has a bank guarantee provided by Komerční banka, a.s. as at 31 December 2017 amounting to TCZK 3 300 (2016: TCZK 4 000) for rent purposes in favour of VIG FUND uzavřený investiční fond, a.s.

The Company guarantee for trading activities of its subsidiaries within the Group for the amount of TCZK 163 240 (2016: TCZK 162 120).

#### 4.3.2 Legal Disputes

As at 31 December 2017 or as at 31 December 2016 the Company was not involved in any legal disputes, the outcome of which would significantly impact the Company's financial statements.

### 4.4 Exchange arbitration court

A permanent arbitration court (the "BRS") was established as an independent body to settle by independent arbitrators disputes arising from investment instruments trading pursuant to Act No. 216/1994 Coll. on arbitration proceedings and on exercise of arbitration awards, and BRS arbitration proceeding rules.

BRS is established by the Exchange Chamber. BRS resides in the premises rented by the Company.

	(in TCZK)	
<b>BRS results</b>	<b>Year 2017</b>	<b>Year 2016</b>
Revenues	0	0
Expenses	3	3
<b>Profit</b>	<b>-3</b>	<b>-3</b>
<b>Financial assets</b>	<b>1 417</b>	<b>1 419</b>
<b>Liabilities (advances received)</b>	<b>0</b>	<b>0</b>

## 5. SUBSEQUENT EVENTS

The Company's management is not aware of any events that have occurred since the balance sheet date that would have any material impact on the financial statements as at 31 December 2017.

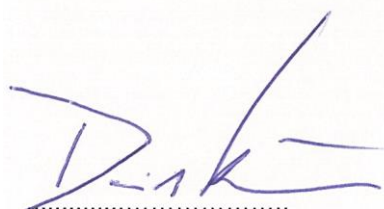
Prague, 8 March 2018

Statutory representative signature:



.....  
Petr Kobic

CEO and Chairman of the Exchange Chamber



.....  
David Kučera

Member of the Exchange Chamber



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



**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 Burza cenných papírů Praha, a.s.**

### ***Opinion***

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

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows 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***

Other information is defined as information (other than the financial statements and our auditor's report) included in the annual report. The statutory body is responsible for the other information. In connection with our audit of the financial statements, our responsibility is to report on the other information.



Burza cenných papírů Praha, a.s. has not prepared an annual report as at 31 December 2017, as it included the respective information in a consolidated annual report. Consequently, this auditor's report does not include our statement on the other information.

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

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

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

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

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on



the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

#### ***Statutory Auditor Responsible for the Engagement***

Vladimír Dvořáček is the statutory auditor responsible for the audit of the financial statements of Burza cenných papírů Praha, a.s. as at 31 December 2017, based on which this independent auditor's report has been prepared.

Prague  
8 March 2018

*KPMG Česká republika Audit*

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

Vladimír Dvořáček  
Partner  
Registration number 2332

## Consolidated financial statements

**CONSOLIDATED FINANCIAL STATEMENTS 2017  
PREPARED IN ACCORDANCE WITH  
INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EU**

<b>Name of the Company:</b>	<b>Burza cenných papírů Praha, a.s.</b>
<b>Registered Office:</b>	<b>Prague 1, Rybná 14/682</b>
<b>Legal Form:</b>	<b>Joint Stock Company</b>
<b>Identification number:</b>	<b>471 15 629</b>
<b>Date of Preparation:</b>	<b>8 March 2018</b>

**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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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 2017**

	Note	2017 TCZK	2016 TCZK
Revenues	6.1	470,743	452,960
Services	6.2	-84,901	-81,853
Employee benefit expenses	6.3	-125,040	-128,866
Depreciation and amortization expenses	6.4	-26,896	-26,828
Change in provisions and allowances for receivables		213	483
Other operating income	6.5	9,056	10,162
Other operating expenses	6.6	-14,315	-11,525
<b>Profit from operating activities</b>		<b>228,860</b>	<b>214,533</b>
Financial income	6.7	4,452	1,390
Financial expense	6.8	-7,205	-3,013
Change in the value of associated companies	6.10	2,330	-7,175
Net income/expense from the sale of subsidiaries		0	140,734
<b>Net financial income</b>		<b>-423</b>	<b>131,936</b>
<b>Profit before income tax</b>		<b>228,438</b>	<b>346,469</b>
Income tax expense	6.9	-44,094	-41,319
<b>Profit from continuing operations</b>		<b>184,344</b>	<b>305,150</b>
Other comprehensive income for the period		0	0
<b>Total comprehensive income for the period</b>		<b>184,344</b>	<b>305,150</b>

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017**

	Note	31.12.2017 TCZK	31.12.2016 TCZK
<b>NON-CURRENT ASSETS</b>			
Property and equipment	7.1	5,438	8,457
Intangible assets	7.2	89,557	109,142
Investments in associated companies	7.3	46,974	44,644
Long term receivables and loans		102	102
Other long term assets		220,000	0
<b>Total non-current assets</b>		<b>362,071</b>	<b>162,345</b>
<b>CURRENT ASSETS</b>			
Trade receivables and other receivables	7.5	132,031	153,665
Other assets	7.8	10,177	10,437
Securities held for trading	7.6	45,034	44,970
Cash and cash equivalents	7.7	145,448	315,712
<b>Total current assets</b>		<b>332,690</b>	<b>524,784</b>
<b>TOTAL ASSETS</b>		<b>694,761</b>	<b>687,129</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7.9.1	100,721	100,721
Treasury shares	7.9.2	-550	0
Other funds	7.9.3	129,900	28,674
Retained earnings	7.10	274,169	405,127
<b>Total shareholders' equity</b>		<b>504,240</b>	<b>534,522</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liability	7.11	15,475	19,642
<b>Total non-current liabilities</b>		<b>15,475</b>	<b>19,642</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	7.12	49,323	67,633
Employee benefit payable	7.13	40,914	43,393
Other current liabilities	7.14	11,307	12,902
Income tax payable	6.9	11,916	9,037
Current bank loans	7.15	61,586	0
<b>Total current liabilities</b>		<b>175,046</b>	<b>132,965</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>694,761</b>	<b>687,129</b>

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

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 2017

(in TCZK)

	Share capital	Treasury shares	Other funds	Retained earnings	Total
<b>Balance at 31 December 2016</b>	<b>265,216</b>	<b>-1,190</b>	<b>84,174</b>	<b>255,961</b>	<b>604,161</b>
<b>Comprehensive income</b>					
Profit	0	0	0	305,150	305,150
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>305,150</b>	<b>305,150</b>
<b>Transactions with owners of the Company</b>					
Dividends	0	0	0	-159,299	-159,299
Payments made from other funds	0	0	-54,310	3,154	-51,156
Destruction of own shares	-160	1,190	-1,190	160	0
Decrease in share capital	-164,335	0	0	0	-164,335
<b>Total transactions with owners of the company</b>	<b>-164,495</b>	<b>1,190</b>	<b>-55,500</b>	<b>-155,985</b>	<b>-374,789</b>
<b>Balance at 31 December 2016</b>	<b>100,721</b>	<b>0</b>	<b>28,674</b>	<b>405,127</b>	<b>534,552</b>
<b>Comprehensive income</b>					
Profit	0	0	0	184,344	184,344
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>184,344</b>	<b>184,344</b>
<b>Transactions with owners of the Company</b>					
Dividends	0	0	0	-214,076	-214,076
Additions to funds	0	0	101,226	-101,226	-0
Purchase of own shares	0	-550	0	0	-550
<b>Total transactions with owners of the company</b>	<b>0</b>	<b>-550</b>	<b>101,226</b>	<b>-315,302</b>	<b>-214,626</b>
<b>Balance at 31 December 2016</b>	<b>100,721</b>	<b>-550</b>	<b>129,900</b>	<b>274,169</b>	<b>504,240</b>

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

### CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2017

	Note	31.12.2017 TCZK	31.12.2016 TCZK
<b>Profit for the period</b>		<b>184,344</b>	<b>309,150</b>
<b>Adjustments for non-cash transactions:</b>			
Income tax	6.9	44,094	41,319
Depreciation of property and equipment	7.1	5,656	5,434
Amortization of intangible assets	7.2	21,240	21,394
Sale of subsidiaries incl. revaluation		0	-140,734
Change in the value of associated companies		-2,330	7,175
Change in allowances for receivables	7.5	-213	79
Change in provisions	7.16	0	-563
Interest income	6.7	0	-95
Interest expense	6.8	225	271
(Increase)/decrease in fair value of securities	6.7	-63	-148
Other non-cash transactions		0	621
<b>Net operating cash flow before taxation and interest</b>		<b>252,953</b>	<b>239,903</b>
(Increase)/decrease in accounts receivable		22,105	72,794
Increase/(decrease) in accounts payable		-22,385	-64,455
Interest received	6.7	0	95
Interest paid	6.8	-225	-271
Income tax paid		-45,380	-40,119
Change in other long-term assets	7.7	-220,000	0
<b>Net cash flow from ordinary activities</b>		<b>-12,932</b>	<b>207,947</b>
Acquisition of tangible fixed assets	7.1	-2,637	-3,347
Acquisition of intangible fixed assets	7.2	-1,655	-1,058
Property, equipment and intangible assets sale		0	0
Sale of investments in subsidiaries		0	88,115
<b>Net cash flow from investing activities</b>		<b>-4,292</b>	<b>83,710</b>
Loans repayments	7.15	0	-44,134
Loan drawings	7.15	61,586	0
Purchase of won shares		-550	0
Dividends paid and payments made from funds		-214,076	-374,789
<b>Net cash flow from financing activities</b>		<b>-153,040</b>	<b>-418,923</b>
<b>Net increase/decrease in cash and cash equivalents</b>		<b>-170,264</b>	<b>-127,266</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>315,712</b>	<b>442,978</b>
<b>Cash and cash equivalents at the end of the year</b>	7.7	<b>145,448</b>	<b>315,712</b>

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

## 1. GENERAL INFORMATION

The principal operations of Burza cenných papírů Praha, a.s. (the “Company” or the “Prague Stock Exchange”) and its subsidiaries (together the “Group”) include:

- the principal activity of the Company is to organise the trading of financial instruments in compliance with generally binding legal regulations, the rules and regulations of the stock exchange and the authorisation to operate issued by decision no. 102/58294/92 of 16 October 1992 of the Ministry of Finance of the Czech Republic as amended based on a decision of the Ministry of Finance of the Czech Republic, the Securities Committee and the Czech National Bank
- managing the central records of dematerialized securities issued in the Czech Republic in accordance with Article 100 (1),(2) No. 256/2004, of the Act on the Capital Market,
- selected activities in accordance with Article 100 (3) No. 256/2004, of Act on the Capital Market;
- settlement of stock exchange trades; settlement of securities trades;
- settlement of derivative trades;
- evidence of securities accounts performed on behalf of the members of Centrální depozitář cenných papírů, a.s.

Burza cenných papírů Praha, a.s., having its registered office at Rybná 14/682, Prague 1, was incorporated by a Memorandum of Association dated 24 July 1992 by twelve Czechoslovak banks and five brokerage firms. The Company was entered into the Commercial Register maintained by the Municipal Court in Prague, section B, and insert 1773, on 24 November 1992.

The consolidated financial statements for the consolidated Group have been prepared using the full consolidation method for subsidiaries and the equity consolidation method for associated companies.

The consolidated Group includes the following companies:

Company name	Classification	ID No.	Share in the consolidated Group	
			2017	2016
Burza cenných papírů Praha, a.s.	Parent company	471 15 629	100%	100%
Centrální depozitář cenných papírů, a.s.	Subsidiary	250 81 489	100%	100%
Energy Clearing Counterparty, a.s.	Subsidiary	284 41 681	100%	100%
POWER EXCHANGE CENTRAL EUROPE, a.s.	Associate	278 65 444	33.33%	100%

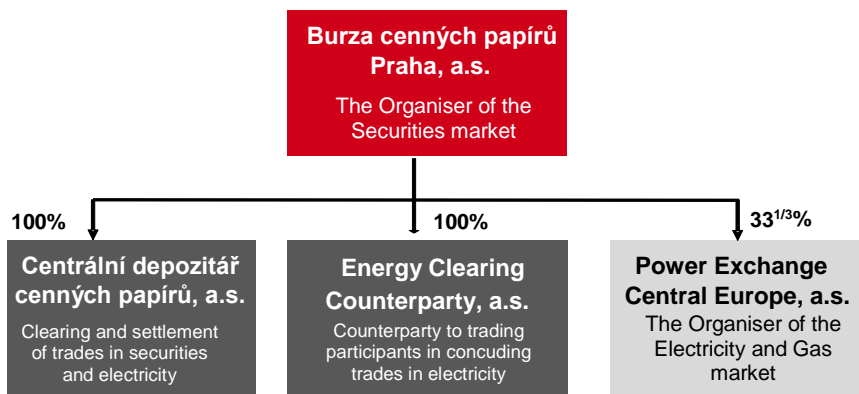
All companies stated above have their registered office at: Praha 1, Rybná 682/14, PSČ 110 05.

The companies are in compliance with Act No. 90/2012 on Commercial Companies and Cooperatives (the Act on Corporations) as a whole by proceeding according to Section 777 (5) of this Act.

### **Associate classification**

From 1 January 2016 POWER EXCHANGE CENTRAL EUROPE, a.s. (hereinafter “PXE”) is reported as an investment in an associated company in the consolidated financial statements.

Structure of the Consolidated Group as at 31 December 2017



From 8 December 2008, the majority owner of the consolidated group is CEESEG AG, which holds a 99.355% share as at 31 December 2017 (2016: 99,355%).

## **2. SPECIFIC DEVELOPMENTS IMPACTING THE GROUP'S OPERATIONS DURING 2017**

On 6 October 2017, Burza cenných papírů Praha, a.s introduced a new market with the name START, which is dedicated to medium-sized Czech entities. Companies from the SME segment have the possibility to obtain non-debt capital from investors at significantly better conditions corresponding with the capacities of companies of this kind.

The market START is dedicated to smaller Czech joint-stock companies with a total market share above MEUR 1.

In 2017, Burza cenných papírů Praha, a.s also started to trade new emissions of securities of MND, a.s. in emission amount of MCZK 2,200 (13 October 2017) and EUC, a.s. in emission amount of BCZK 1,401 (23 November 2017).

On 2 October 2017, Centrální depozitář cenných papírů, a.s became a direct participant in the CERTIS payments system, operated by the Czech National Bank. The current account in CERTIS is designated only for settlements of trading and transaction purposes and it is not possible to use it for regular payments with the central depositor.

From 1 December 2017, Centrální depozitář cenných papírů, a.s (CDCP) also became a direct participant in Euroclear Bank SA/NV, when links for settlements were opened. The cooperation with Euroclear offers new possibilities for the provision of a wide range of services. Simultaneously, CDCP has obtained access to new foreign markets.

As at 1 December 2017, CDCP received from the Global Legal Entity Identifier Foundation (GLEIF) a certificate demonstrating total accreditation for conferring the LEI identification to certain jurisdictions. With this accreditation, the process of integration of the central depositor to the GLEIS (Global Legal Entity Identifier System) was successfully completed and CDCP officially became a LOU (local operating unit). Any conferred pre-LEI identification has automatically become LEI.

### **3. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS**

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (the “EU”).

The consolidated financial statements are prepared on an accrual basis of accounting, whereby the effects of transactions and other events are recognized when they occur and are reported in the financial statements of the periods to which they relate, considering the going concern assumption.

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

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

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



## **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **4.1. Principles of Consolidation**

The consolidated financial statements include the financial statements of the Company and the financial statements of all companies in which the Company exercises controlling (subsidiaries) and substantial (associated companies) influence.

An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date on which control commences until the date on which control ceases.

Associates are entities in which the Company has significant influence, but not control, over financial and operating policies and which are not subsidiaries. Associates are consolidated under the equity method from the date on which the Company acquires substantial influence and holds, directly or indirectly via its subsidiaries, a minimum of 20% but a maximum of 50% of voting rights.

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

### **4.2. Functional currency**

The consolidated financial statements are presented in Czech crowns, which is the functional currency of all companies in the Group. All financial information is presented in thousands of Czech crowns ("TCZK"), unless stated otherwise.

### **4.3. Cash and Cash Equivalents**

Cash comprises cash in hand and cash in transit.

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

### **4.4. Cash Flow**

The cash flow statement comprises changes in cash and cash equivalents from operating activity, investment activity and financial activity and is prepared using the indirect method.

### **4.5. Financial assets and financial liabilities**

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

The Company classifies its financial liabilities at amortised cost.

Standard purchases and sales of financial assets at fair value through profit or loss, and held to maturity are recognized as at the trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit and loss are initially recognized at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all

risks and rewards of ownership. Financial liabilities are derecognized when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

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

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

#### **4.5.1. Financial assets and financial liabilities at fair value through profit or loss**

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition.

A financial asset or financial liability is classified as held for trading if:

- it is acquired or incurred principally for the purpose of selling or repurchasing in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- it is a derivative (except for derivative that is an effective hedging instrument).

Any financial asset or liability may be designated as an instrument at fair value through profit or loss on initial recognition.

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

- doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held-for-trading and the underlying financial instruments were carried at amortized cost;
- certain investments, such as equity investments, that are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel.

All gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets or financial liabilities are included in “Net financial income/expenses”.

#### **4.5.2. Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the entity intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- those that the entity upon initial recognition designates as available for sale; or
- those for which the holder may recover substantially all of its initial investment, other than because of credit deterioration.

#### **4.5.3. Held to maturity financial assets**

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

### **4.6. Property and equipment / Intangible Assets**

Property and equipment / intangible assets are stated at historical cost less depreciation / amortization. Depreciation / amortization is calculated on a straight-line basis to write off the cost of each asset to its residual value over its estimated useful lives. The estimated useful lives of significant classes of assets are set out below:

<b>Description</b>	<b>Depreciation/amortization period in years</b>
IT Equipment	3-5
Furniture and fixtures	3-10
Software	3
Other intangible assets	4-12

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

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

### **4.7. Investments in associated companies**

The Group accounts for investments in associates over the period of their existence using the equity method. On acquisition investments in associates are stated at acquisition cost, which may include:

- monetary amount of provided consideration,
- fair value of provided non-monetary performance,

- fair value of an equity investment.

Over the period of significant influence the initial cost of an investment in associates is adjusted by the Group's share of the net assets of the associated company.

Investments in associates are tested for impairment on a continuous basis, using the discounted cash flow method. Where an impairment of an investment in associates is identified, an allowance is established. The cost of an investment is reported in "Investments in associated companies". Changes in the value of associated companies are reported in "Changes in the value of associated companies".

#### **4.8. Impairment of Financial Assets**

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

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

- breach of contract, e.g. a delay in payments of more than 90 days after the due date;
- initiation of insolvency proceedings.

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

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

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

- the final bankruptcy resolution or cancellation of bankruptcy proceedings;
- finalization of court proceedings or declaration of the debt as irrecoverable.

#### **4.9. Impairment of non-financial assets**

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Where the carrying amount of a non-financial asset stated at net book value is greater than its estimated recoverable amount, an impairment loss is recorded to bring the asset's carrying amount to its recoverable amount. The recoverable amount is the greater of the following amounts:

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

The largest components of the Group's assets are periodically tested for impairment and temporary impairments are provisioned under "Other net operating income/(expenses)" of the statement of comprehensive income. Any subsequent increase in the carrying amount arising from the reversal of an impairment must not exceed the carrying amount that would have been determined (net of amortization or accumulated amortization) had no impairment loss been recognized for the asset in prior years.

#### **4.10. Revenue recognition**

Revenues are recognized on an accrual basis when the service has been provided, net of discount and VAT.

Exchange charges, fees from settlement of trades, income from primary issues, sales from mediation of payments of revenues from securities, fees for administration of central securities depository for the participants of Centrální depozitář cenných papírů, a.s. and sales of other services are all recognized based on the applicable service contracts. Sales from securities custody and administration are accrued on a time-apportioned basis. Part of the Group's revenues also includes fees for services to the owners of investment instruments which have no contract with a member of Centrální depozitář cenných papírů, a.s., and services for the state administration to which the Group is legally obliged to provide information.

Interest income and interest expense resulting from all interest-bearing instruments are recognized in the statement of comprehensive income in rows "interest income" and "interest expense" by using the effective interest rate.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of respective interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net recognized value of the financial asset or liability. Group calculates the effective interest rate by estimating future cash flows, considering all contractual terms, but not considering any future credit losses. The calculation includes all fees paid or received between contractual parties that are an integral part of the effective interest rate, including transaction costs and other premiums or discounts.

Once a financial asset or group of similar financial assets is impaired, interest income is recognized using the interest rate, which was used as discount rate for future cash flows to calculate impairment loss.

As the Group's business activities focus on one business and geographical segment, the Group does not provide a segment analysis of its results of operations in the financial statements.

#### **4.11. Current and deferred income tax**

The income tax presented in the statement of comprehensive income comprises the current year tax charge, adjusted for deferred taxation effects. Current tax comprises the tax payable calculated on the basis of the taxable income for the year, using the tax rates valid at the balance sheet date, and any adjustment of the tax payable for previous years.

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

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

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

#### **4.12. Provisions**

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

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

#### **4.13. Foreign Currency Translation**

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

At each balance sheet date:

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

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

Gains or losses arising from movements in exchange rates after the date of the transaction are recognized in "Net financial income/(expense)".

#### **4.14. Share capital and Treasury shares**

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

#### **4.15. Clearing Fund and Collateral Fund**

##### **4.15.1. Clearing fund**

The purpose of the CDCP Clearing fund (hereinafter "CLF") is to accumulate assets (financial contributions from Prague Stock Exchange members (hereinafter "PSE") to cover liabilities and risks resulting from the trades settled through Prague Stock Exchange by clearing and non-

clearing members. Deposits to CLF are placed in a separate bank and property account in the name of Centrální depozitář cenných papírů, a.s.

Financial resources are allocated for the settlement of liabilities from trading by PSE members, especially to cover fees for unsatisfied liabilities of PSE members and trade settlement (settlement between the trade and substitute trade, or more precisely settlement of exchange rate differences).

The Group records financial resources of CLF in off-balance sheet accounts because the Group acts only as an agent of the account with no obligation other than to administer the fund on behalf of the PSE members.

Revenues from financial assets held through CLF are not part of the Company's revenues. Revenues and expenses of CLF are distributed among individual members in compliance with agreed rules.

Through Centrální depozitář cenných papírů, a.s., the Group receives a fee in the amount of 12.5% of the total interest and capital revenues earned from the deposited CLF assets under administration for management of CLF resources.

#### **4.15.2. Collateral Fund**

In relation to stock exchange trades in securities the Collateral Fund that guarantee securities trades has been recognized through Centrální depozitář cenných papírů, a.s. The Collateral Fund holds cash collateral that has been deposited by participants who have borrowed securities lent by other participants.

The Group records these funds in financial assets and correspondingly in liabilities to members in the association.

#### **4.16. Accounting for Derivative Financial Instruments**

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

Changes in the fair value of all derivative instruments are immediately recorded in the statement of comprehensive income within "Net financial income/(expenses)".

#### **4.17. Non-current assets held for sale and discontinued operations**

In preparing the financial statements, it is necessary to present all events that occurred in the accounting period and that must be included in the accounting records so that the financial statements present a true and fair view of the Company's assets, liabilities and equity. At the same time, it is necessary to present those events which can significantly affect the future development of the Group. In presenting and disclosing these events, the Group shall apply *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*.

The objective of IFRS 5 is to separately present assets held for sale in the balance sheet for the current period at valuation respecting the prudence principle and further to separately present the profit/loss of discontinued operations in the income statement for the current and past accounting periods where the discontinued operations represent the profit or loss of the operations in the past which are not going to be presented again in future.

Discontinued operations comprise cash-generating units held for sale which perform a significant activity of the Group.

The Group measures the assets and liabilities held for sale in accordance with the prudence principle, using the carrying amount or fair value net of costs to sell. The measurement at fair value is applied only if it is lower than the carrying amount.

#### **4.18. Changes in the accounting policies arising from the adoption of new standards and interpretations and amendments to existing standards**

During the current accounting period, the Group adopted all new and amended standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB which relate to its line of business, are applicable to the accounting period beginning on 1 January 2016 and were adopted by the European Union.

#### **Impact of issued and effective standards and interpretations for period since 1 January 2018.**

##### **IFRS 15 Revenue from contracts with customers**

IFRS 15 will be mandatory for accounting periods beginning on or after 1 January 2018.

The new standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time when control of the goods or services is transferred to the customer.

This standard implements the unified principle-based five-step model applicable to all customer agreements:

- identifies contract (contracts) with customer,
- identifies the performance obligation arising from the contract,
- defines the transaction price,
- allocates the transaction price to individual performance obligations,
- requires income recognition when fulfilling the obligation arising from the contract.

IFRS 15 also establishes the principles that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

Due to the nature of the Group's operations and the types of revenue, the new standard IFRS 15 will impact the Group in the event of offsetting revenue and costs from insurance and card transactions that will be reported on a net basis as of 1 January 2018.

##### **IFRS 9: Financial Instruments**

In July 2014, IFRS 9 was issued, replacing IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 will be mandatory for accounting periods beginning on or after 1 January 2018. The restatement of prior periods is not required,



and is permitted only if information is available without the use of hindsight. Early application is permitted.

#### *Classification and measurement*

Standard IFRS 9 divides financial assets into two categories – assets measured at amortised cost and assets measured at fair values. When the assets are measured at fair value, profits and losses are recognised either fully in profit or loss (fair value through profit or loss, FVTPL) or in other comprehensive income (fair value recognised in other comprehensive income, FVOCI).

A financial asset is classified at its initial recognition, specifically when the entity becomes party to the contractual arrangements for the instrument. The classification and measurement of the asset depends on the business model of the Group and on the characteristics of its contractual cash flows.

A financial asset is measured at amortised cost if the following two conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

For debt instruments measured at FVOCI, interest revenue, expected credit losses and foreign exchange gains and losses are recognised in profit or loss in the same manner as are amortised cost assets. Other gains and losses are recognised in OCI and are reclassified to profit or loss upon derecognition.

All the financial instruments are initially measured at fair value decreased or increased by transaction costs, even if the financial asset or liability is not measured at FVTPL.

#### *Impairment*

In accordance with IAS 39, the impairment model under IFRS 9 replaces incurred credit losses with expected credit losses. The IFRS 9 impairment model applies to financial assets measured at amortised cost, financial assets compulsorily measured as FVOCI, loan commitments where there is a current obligation to provide a loan, financial guarantee contracts and to lease receivables.

In accordance with the IFRS 9 model, credit losses should be recognised using a loan loss allowance in an amount equal to:

- 12-month expected credit losses (expected credit losses on financial instruments are the result of loss-making events that may occur within 12 months since the balance sheet date); or
- expected credit losses over the life of the financial instrument (expected credit losses that are the result of all possible events causing a loss over the life of the financial instrument).

Loan loss allowances for expected credit losses over the life of a financial instrument are obligatory if the credit risk for the instrument has increased significantly since initial recognition. Assessing whether there has been a significant increase in credit risk is based on a higher probability that a default will occur after the initial recognition or if the financial instrument's contractual terms are violated.

The credit risk assessment and estimate of expected credit losses must be unbiased, based on probability of loss and should be based on all available relevant information, including past events, current conditions, and reasonable and fact based forecast of future events and economic

conditions at the balance sheet date. The time value of the money must also be included in the calculation.

#### *Impact on the Group*

The Group performed an analysis of business models for individual financial instruments and an analysis of contractual cash flows. According to this analysis, the changes in the Group's portfolio will not be significant and substantially all of its financial instruments will be measured at amortised cost because the Group holds most of the financial instruments within the "hold and collect" business model and cash flows represent payments of principal and interest.

Substantially all of the Group's financial assets will continue to be classified as loans and receivables under IAS 39 and to be measured at amortised cost also under IFRS 9, and it will be the same for other financial instruments – see table below.

#### **IFRS 16 Leasing**

This standard will be mandatory for accounting periods beginning on or after 1 January 2019. Early application is permitted, if the entity also applies standard IFRS 15.

IFRS 16 replaces standard IAS 17 Leasing and related interpretations. The standard cancels the current dual accounting model for tenants and instead requires companies to report most of their rental contracts on the balance sheet according to one model, eliminating the difference between operating and finance leases.

Under IFRS 16 the contract is considered to be a lease if it gives the right to decide on the use of the asset over a period of time in exchange for consideration. In the case of such contracts, the new model requires the lessee to report the used asset and the lease liability. The used asset is depreciated and the related lease liability is interest-bearing. This will be reflected in the majority of leases by the decrease of the leased lease costs over the term of the lease, even if the lessee pays constant leasing instalments.

The new standard introduces several exemptions for the lessee from the scope that concern:

- leases with a lease term of 12 months or less without the purchase option at the end of the lease and,
- leases where the underlying asset is of low value.

The lessor's lease accounting remains largely unaffected after the introduction of the new standard and the difference between operating and finance lease will be maintained.

The Group expects that the new standard will not affect the financial statements at initial application, because the entity will have to disclose assets and liabilities in respect of operating leases under which the entity acts as the lessee in the statement of financial position.

The Group did not analyse the expected quantitative impact of the new standard, however the nominal value of future lease payments for operating leases is stated in Note 7.4.

**Other accepted standards and interpretations issued but not effective for the current accounting period, where the Group does not expect significant impact:**

Standards adopted by EU

- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

Standards not yet adopted by EU

- Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
- Amendments to IAS 40 Transfers of Investment Property
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- IFRS 17 Insurance Contracts
- Annual Improvements to IFRS 2014-2016 Cycle

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

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

### **5.1. Impairment losses on trade receivables**

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

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Adjustment to receivables is created on the basis of the ageing structure and individual evaluation of the creditworthiness of debtors. Bad debts are written off after the bankruptcy of the debtor.

At 31 December 2017 and 31 December 2016 the Group recognized an impairment loss on trade receivables; court action is underway for their enforcement and the likelihood of payment is minimal.

### **5.2. Determination of fair value**

For determination of the fair value of financial assets and liabilities without any current market price, the valuation techniques described in 4.5 are used. For financial instruments that are traded only rarely and which are of low price transparency, fair value is less objective and require various levels of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks that affect the specific amounts.

The Company determines fair value using the following hierarchical system that reflects the significance of inputs used in valuation:

- Level 1: prices of identical assets or liabilities quoted in active markets (unadjusted)
- Level 2: derived from objectively observable market data, either directly (i.e. prices of similar instruments) or indirectly (i.e., derivation from prices)
- Level 3: input data that are not based on objectively observable market data (inputs that cannot be determined objectively)

If there is no active market for a selected financial instrument, fair value is estimated using valuation techniques. When valuation techniques are applied, management makes estimates and assumptions that are based on available information as would be applied by participants in the market in determining the price of the financial instrument.

### **5.3. Income tax**

The Group is subject to income tax in the Czech Republic. 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, using the tax rate valid as at the first day of the accounting period, and any adjustments to taxes payable for previous periods.

The management of the Group assessed available information about future taxable profits and other potential sources of deferred tax asset utilization.

In 2017, the Group reported a deferred tax liability mainly arising from temporary differences in fixed assets which will affect the corporate income tax base in future periods.

#### **5.4. Determination records database useful life**

The Group has legal obligation to maintain database of records at least for 12 years obtained from records database in order to carry out some of its activities. Therefore, the Group set the useful life of database of records to 12 years.

#### **5.5. Subsidiaries**

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise, so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The consolidated financial statements include the Group's interests in other entities based on the Group's ability to control such entities regardless of whether control is actually exercised or not. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

#### **5.6. Associates**

Associates are enterprises in which the Company has significant influence, but not control, over financial and operating policies. Investments in associates are accounted for under the equity method and are initially recognised at cost. The consolidated financial statements include the Company's share of the total profit or loss and other comprehensive income of associates from the date that the significant influence commences until the date that the significant influence ceases. When the Company's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Company has incurred obligations in respect of or has made payments on behalf of the associate.

## 6. ADDITIONAL INFORMATION ON COMPREHENSIVE INCOME FOR 2017

### 6.1. Revenues

	2017		2016	
	Volume TCZK	Structure %	Volume TCZK	Structure %
<b>Revenues from trading on stock exchange</b>	<b>20,568</b>	<b>4,4%</b>	<b>24,776</b>	<b>5,5%</b>
Shares	19,773	4,2%	23,941	5,3%
Debt securities	684	0,2%	752	0,2%
Structured products	111	0,0%	83	0,0%
Administrative fees (for membership and quotation)	21,993	4,7%	21,941	4,8%
Exchange information	36,244	7,7%	38,157	8,4%
<b>Revenues from central depository services (excluding settlement) and other services</b>	<b>304,579</b>	<b>64,7%</b>	<b>281,995</b>	<b>62,3%</b>
Fee for registration of issues and related services	110,902	23,6%	112,187	24,8%
Fee for records maintenance	157,387	33,4%	141,814	31,3%
Other services CDCP	36,290	7,7%	27,994	6,2%
Revenues from settlement of trades	81,168	17,2%	79,576	17,6%
License fees for exchange trading	176	0,0%	466	0,1%
Other revenues	6,015	1,3%	6,049	1,3%
<b>Total revenues</b>	<b>470,743</b>	<b>100,0%</b>	<b>452,960</b>	<b>100,0%</b>

The Group cooperates with Wiener Börse AG in selling exchange data. The services provided by the Group to CEESEG AG and Wiener Börse AG are described in detail in note 10.

### 6.2. Services

	(in TCZK)	
	2017	2016
Rent of administrative premises	-11,261	-12,379
Taxes and fees	-450	-282
Services associated with intangible assets and repairs of assets	-22,583	-21,327
Costs of usage of technical trading system XETRA	-9,328	-8,971
Data links and connections	-2,831	-2,635
Securities administration services	-7,743	-7,561
Communication fees (telecommunication, mail, transport)	-827	-1,551
Information services fees	-1,581	-1,553
Marketing and advertisement	-4,754	-5,482
Market development	-2,850	0
Advisory, tax and audit services	-12,160	-11,298
Travelling expenses	-1,342	-1,588
Operating lease (cars)	-3,024	-2,906
Cleaning services	-577	-540
Training	-1,828	-1,653
Other services	-1,762	-2,127
<b>Total</b>	<b>-84,901</b>	<b>-81,853</b>

Rent of administrative premises includes rent in the amount TCZK 7,815 (2016: TCZK 9,492) and services related to rent in the amount TCZK 2,647 (2016: TCZK 2,564). The remaining portion comprises expenses incurred for security and sanitary maintenance and other expenses of TCZK 799 (2016: TCZK 323).

The most significant expenses of the Group are represented by services associated with operation and maintenance of intangible assets which are used for running the trade system and database of records. In 2017 these expenses amounted TCZK 22,583 (2016: 21,327).

Securities administration expenses constitute primarily costs for administration of foreign securities in the amount of TCZK 5,910 (2016: TCZK 5,750) and fees for custody and administration of records database in the amount of TCZK 1,367 (2016: TCZK 1,373).

The Company's auditor, KPMG Česká republika Audit, s.r.o., did not provide to the Group any other material services than the statutory audit of 2017 and 2016.

### 6.3. Employee benefit expenses

	(in TCZK)	
	2017	2016
Salaries	-93,620	-97,129
Statutory social and health insurance	-26,029	-26,379
Other employee expenses	-5,391	-5,358
<b>Total</b>	<b>-125,040</b>	<b>-128,866</b>

The Group provides monetary remuneration to the members of the Exchange Chambers, Boards of Directors and Supervisory Boards for the fulfilment of their functions.

Accordingly, the members of the Exchange Chambers, Boards of Directors and Supervisory Boards obtained remuneration in the amount of TCZK 10,644 (2016: TCZK 14,781).

### 6.4. Depreciation and amortization expenses

	(in TCZK)	
	2017	2016
Depreciation of tangible fixed assets (Note 7.1)	-5,656	-5,434
Depreciation of intangible fixed assets (Note 7.2)	-21,240	-21,394
<b>Total</b>	<b>-26,896</b>	<b>-26,828</b>

### 6.5. Other Income

	(in TCZK)	
	2017	2016
Data services	6,004	5,879
Fees for halted and unsettled trades	2,539	3,724
Other operating revenues	513	559
<b>Total other revenues</b>	<b>9,056</b>	<b>10,162</b>

### 6.6. Other operating expenses

	(in TCZK)	
	2017	2016
Material consumption	-3,728	-2,617
Members' fees	-495	-365
Liability insurance and property insurance	-1,427	-1,488
Representation costs	-1,603	-1,272
Fee for operating of legal person identification	-4,182	-2,846
Write off of receivables	-568	-889
Other operating expenses	-2,311	-2,048
<b>Total other expenses</b>	<b>-14,315</b>	<b>-11,525</b>

## 6.7. Financial income

	(in TCZK)	
	2017	2016
Interest income from current deposits and provided loans	0	95
Interest income from securities held for trading	61	42
Net income from revaluation of securities held for trading and derivative operations	63	148
Foreign exchange rate differences	4,328	1,105
<b>Total financial income</b>	<b>4,452</b>	<b>1,390</b>

## 6.8. Financial expenses

	(in TCZK)	
	2017	2016
Interest expenses	-225	-271
Foreign exchange rate differences	-5,406	-1,422
Other financial expenses (banking fees)	-1,574	-1,320
<b>Total financial expenses</b>	<b>-7,205</b>	<b>-3,013</b>

## 6.9. Income Tax expense

	(in TCZK)	
	2017	2016
Income tax payable – current period	-49,777	-42,588
Additional corporate income tax payment/(refund) - prior year	1,516	1,640
Deferred tax (Note 7.11)	4,167	-371
<b>Total income tax</b>	<b>-44,094</b>	<b>-41,319</b>

### Current tax on continuing operations

	(in TCZK)	
	2017	2016
Income tax payable – current period	-49,777	-42,588
Income tax advance payments	37,861	33,551
<b>Income tax (payable) / receivable</b>	<b>-11,916</b>	<b>-9,037</b>

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

	(in TCZK)	
	2017	2016
<b>Profit before tax</b>	<b>228,438</b>	<b>346,469</b>
Theoretical tax calculated at a tax rate of 19% (2016: 19%)	43,403	65,829
Non-taxable revenues	-526	-25,005
Temporary expenses not deductible for tax purposes	2,733	2,135
<b>Total income tax from discontinued operations</b>	<b>45,610</b>	<b>42,959</b>
Correction of prior year tax	-1,516	-1,640
<b>Total income tax expense</b>	<b>44,094</b>	<b>41,319</b>

Non-taxable revenues in 2017 represent a share of profit in the associated company. In 2016, non-taxable revenues of TCZK 25,005 included gains from the sale of investments in subsidiaries.



#### 6.10. Share of profit of associates

A share of profit of POWER EXCHANGE CENTRAL EUROPE, a.s. (the associated company), in which the Company holds a 33.33% interest as at 31 December 2017, amounted to TCZK 2,330 (2016: CZK 1,316). As at 31 December 2017 the Group tested the investment for impairment by applying the discounted cash flow method. Consequently, it created no further allowance to this investment in 2017 (2016: CZK 8,491).

	(in TCZK)	
	<b>2017</b>	<b>2016</b>
<b>Ownership in %</b>	<b>33,33 %</b>	<b>33,33 %</b>
Group's share of profit/loss	2,330	1,316
Allowance for equity investment (DCF method)	0	-8,491
<b>Group's share of profit of associates</b>	<b>2,330</b>	<b>-7,175</b>

## 7. ADDITIONAL INFORMATION ON CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

### 7.1. Property and Equipment

(in TCZK)

Cost	IT Equipment	Fixtures and fittings	Tang. fixed assets under constr.	Total
<b>As at 31 December 2015</b>	<b>74,865</b>	<b>9,434</b>	<b>0</b>	<b>84,299</b>
Additions	3,241	106	0	3,347
Disposals	-2,303	-136	0	-2,439
<b>As at 31 December 2016</b>	<b>75,803</b>	<b>9,404</b>	<b>0</b>	<b>85,207</b>
Additions	2,312	312	13	2,637
Disposals	0	0	0	0
<b>As at 31 December 2017</b>	<b>78,115</b>	<b>9,716</b>	<b>13</b>	<b>87,844</b>

(in TCZK)

Accumulated depreciation	IT Equipment	Fixtures and fittings	Tang. fixed assets under constr.	Total
<b>As at 31 December 2015</b>	<b>66,928</b>	<b>6,827</b>	<b>0</b>	<b>73,755</b>
Additions	4,710	724	0	5,434
Disposals	-2,303	-136	0	-2,439
<b>As at 31 December 2016</b>	<b>69,335</b>	<b>7,415</b>	<b>0</b>	<b>76,750</b>
Additions	4,726	930	0	5,656
Disposals	0	0	0	0
<b>As at 31 December 2017</b>	<b>74,061</b>	<b>8,345</b>	<b>0</b>	<b>82,406</b>

(in TCZK)

Net book value	IT Equipment	Fixtures and fittings	Tang. fixed assets under constr.	Total
<b>As at 1 January 2015</b>	<b>7,937</b>	<b>2,607</b>	<b>0</b>	<b>10,544</b>
<b>As at 31 December 2016</b>	<b>6,468</b>	<b>1,989</b>	<b>0</b>	<b>8,457</b>
<b>As at 31 December 2017</b>	<b>4,054</b>	<b>1,371</b>	<b>13</b>	<b>5,438</b>

Property and equipment of the Group predominantly include computers necessary to secure trading, central securities register and data store.

Additions to tangible fixed assets of TCZK 2,624 (2016: TCZK 3,347) represent technical improvements to PC Pureflex and IT equipment.

## 7.2. Intangible fixed assets

(in TCZK)

Cost	Software	Others	Intang. fixed assets under constr.	Total
<b>As at 1 January 2015</b>	<b>197,493</b>	<b>231,212</b>	<b>0</b>	<b>428,705</b>
Additions	1,058	0	0	1,058
Disposals	-8	0	0	-8
<b>As at 31 December 2016</b>	<b>198,543</b>	<b>231,212</b>	<b>0</b>	<b>429,775</b>
Additions	1,402	0	253	1,655
Disposals	0	-49	0	-49
<b>As at 31 December 2017</b>	<b>199,945</b>	<b>231,163</b>	<b>253</b>	<b>431,361</b>

(in TCZK)

Accumulated depreciation	Software	Others	Intang. fixed assets under constr.	Total
<b>As at 1 January 2015</b>	<b>192,542</b>	<b>106,685</b>	<b>0</b>	<b>299,227</b>
Additions	2,446	18,948	0	21,394
Disposals	-8	0	0	-8
<b>As at 31 December 2016</b>	<b>194,980</b>	<b>125,633</b>	<b>0</b>	<b>320,613</b>
Additions	2,291	18,949	0	21,240
Disposals	0	-49	0	-49
<b>As at 31 December 2017</b>	<b>197,271</b>	<b>144,533</b>	<b>0</b>	<b>341,804</b>

(in TCZK)

Net book value	Software	Others	Intang. fixed assets under constr.	Total
As at 1 January 2015	4,951	124,527	0	129,478
As at 31 December 2016	3,563	105,579	0	109,142
As at 31 December 2017	2,674	86,630	253	89,557

The most significant items of intangible assets of the Group are purchased records database and the purchase of software licences associated with the activities of the central securities depository. The Group spent TCZK 400,766 on the purchase of these assets in 2011 and 2010. Net book value of the records database as at 31 December 2017 is TCZK 86,569 (2016: TCZK 105,457).

The remaining part of intangible assets consists of information system "Data Warehouse", other computer programs for automatic application testing, applicational virtualization and computer programs necessary to secure the continuity of stock trading and settlement of transactions with investment instruments.

Additions to intangible assets in the amount of TCZK 1,402 (2016: TCZK 1,058) is mainly represented by purchases of software (virtual environment security system).

### 7.3. Investments in associated companies

On 1 January 2016, the Company lost control over POWER EXCHANGE CENTRAL EUROPE, a.s. As a result, the Company recorded PXE as a 33.33% investment in an associate in its consolidated financial statements. The majority stake is held by European Energy Exchange (hereinafter "EEX") and amounts to 66.67%.

	(in TCZK)	
	As at 31 December 2017	As at 1 January 2016
<b>Ownership in %</b>	<b>33,33 %</b>	<b>33,33 %</b>
Property and equipment	106	82
Intangible assets	838	500
Deferred tax asset	523	528
Long-term receivables and loans	30	30
<b>Non-current assets</b>	<b>1,497</b>	<b>1,140</b>
Trade and other receivables	4,069	4,388
Other assets	503	394
Cash and cash equivalents	47,167	39,468
<b>Current assets</b>	<b>51,672</b>	<b>44,250</b>
Trade liabilities	-877	-1,242
Provisions	-1,973	-2,063
Income tax payable	-570	-269
Other current liabilities	-2,069	-1,889
Employee benefit payable	-6,476	-5,711
<b>Total current liabilities</b>	<b>-11,965</b>	<b>-11,174</b>
Total net assets (100%)	41,205	34,216
Total net assets (33,33%; 2016: 100,00%)	13,735	11,405
Remeasurement of investments in associates to fair value	41,730	41,730
Allowance to equity investments (DCF method)	-8,491	-8,491
<b>Carrying amount of investments in associates</b>	<b>46,974</b>	<b>44,644</b>
Total income	48,478	43,315
Total profit/loss for the period (100%)	6,989	3,947
<b>Group's share of profit/loss</b>	<b>2,330</b>	<b>1,316</b>

#### 7.3.1. Impairment testing of investments in associates

As at 31 December 2017 the Group's investment in an associate stated at fair value was tested for impairment using the discounted cash flow method.

	(in TCZK)	
	2017	2016
<b>As at 1 January</b>	<b>44,644</b>	<b>51,819</b>
Share of profit of associates	2,330	1,316
Allowance for equity investments (DCF method)	0	-8,491
<b>As at 31 December</b>	<b>46,974</b>	<b>44,644</b>

The fair value of an investment in an associate as at 1 January 2016 was determined at TCZK 51,819 based on the sale of a 66.67% participation interest to EEX. The fair value was decreased by 15% owing to the fact that the sold participation interest included a premium surcharge for a controlling interest in PXE.

The Group discovered that after including a share of profit of an associate of TCZK 2,330, the fair value of the appropriate investment did not change as at 31 December 2017 after testing the investment by the discounted cash flow method. The Group decided to keep an allowance, of TCZK 8,491 (2016: TCZK 8,491) created in 2016. The Group used budgeted cash of flows of the associate for calculation of discounted cash flows. Discounted factor was determined using weighted average cost of capital of PXE.

#### 7.4. Operating leases

The companies of the Group are located in rented premises and have cars under operating leases.

Lease payments recognised in expenses:

	(in TCZK)	
	2017	2016
Rented premises	7,815	9,470
Operating lease of automobiles	3,024	2,906
<b>Total</b>	<b>10,838</b>	<b>12,376</b>

The Group has no irredeemable sub-leases which would generate future revenues.

The Company has the following contractual obligations in respect of operating leases:

	(in TCZK)	
	2017	2016
Due in 1 year	11,874	10,991
Due in 1–5 years	41,270	34,569
Due in more than 5 years	22,016	25,479
<b>Total</b>	<b>75,160</b>	<b>71,039</b>

As at 31 December 2017, the Group has agreement to make a contract for lease of a vehicle which would result in a contractual penalty of TCZK 785, in the case of a failure to conclude the Contract for lease of a vehicle.

#### 7.5. Trade and other receivables

	(in TCZK)	
	As at 31 December 2017	As at 31 December 2016
Trade receivables	112,770	122,237
<i>physical settlement of trades with electric energy</i>	79,100	81,462
<i>trade receivables</i>	33,670	40,775
Adjustments to trade receivables	-5,946	-6,159
<b>Total receivables (net)</b>	<b>106,824</b>	<b>116,078</b>
Estimated receivables	18,067	20,108
Short/term advances	270	14,502
Receivables from employees	34	23
Other financial assets	62	91
<b>Financial assets</b>	<b>125,257</b>	<b>150,802</b>
Receivable from state ensuing from excessive VAT deduction	6,774	2,863
<b>Non-financial assets</b>	<b>6,774</b>	<b>2,863</b>
<b>Total</b>	<b>132,031</b>	<b>153,665</b>

Trade receivables mainly represent fee receivables ensuing from activities of stock exchange members, participants in the settlement of investment instruments, electricity and gas traders at the commodity exchange and fees for services for members of the central securities depository.

Estimated receivables comprise estimates for un-invoiced services associated with the sale of exchange data.

Impairment allowance can be analysed as follows:

	(in TCZK)	
	<b>2017</b>	<b>2016</b>
Balance as at 1 January	6,159	6,080
Additions	2,812	3,472
Write-off of receivables	-568	-889
Release	-2,457	-2,504
<b>Balance as at 31 December</b>	<b>5,946</b>	<b>6,159</b>

## 7.6. Securities held for trading

	(in TCZK)	
	As at 31 December <b>2017</b>	As at 31 December <b>2016</b>
Securities	45,034	44,970
<b>Total securities</b>	<b>45,034</b>	<b>44,970</b>

	(in TCZK)	
	<b>2017</b>	<b>2016</b>
<b>Securities held for trading as at 1 January</b>	<b>44,970</b>	<b>44,822</b>
Fair value change through profit/loss	64	148
<b>Securities held for trading as at 31 December</b>	<b>45,034</b>	<b>44,970</b>

## 7.7. Cash and cash equivalents and other long-term assets

	(in TCZK)	
	As at 31 December <b>2017</b>	As at 31 December <b>2016</b>
Cash in hand	102	486
Cash at bank	365,346	315,226
<b>Total cash</b>	<b>365,448</b>	<b>315,712</b>
Blocked accounts – CSDR licence	220,000	0
<b>Other long-term assets</b>	<b>220,000</b>	<b>0</b>

In 2017, the Group applied for a licence from the central depository (CSDR licence) according to regulation of the European Parliament and the Council of EU no. 909/2014 of 23 July 2014. In line with the application, the Company holds and will hold TCZK 220 000 (2016: TCZK 0) on the accounts of the Czech National Bank and commercial banks to meet capital requirements.

## 7.8. Other assets

	(in TCZK)	
	As at 31 December <b>2017</b>	As at 31 December <b>2016</b>
Prepayments	10,178	10,437
<b>Non-financial assets</b>	<b>10,178</b>	<b>10,437</b>
<b>Total</b>	<b>10,178</b>	<b>10,437</b>

The Group prepayments comprise mainly of prepayments for service support and IT systems operation, prepayments for depository and administration of securities records evidence and insurance.

## 7.9. Share capital and shareholders' fund

### 7.9.1. Share capital

The balance of the Company's share capital recorded in the Commercial Register comprises of 265 216 registered common shares with a nominal value of CZK 380 per share as at 31 December 2017 (2016: 380 CZK). The share capital was fully paid. The shareholder has right to participate on profit, attend and vote on the general meeting, request explanation and make proposals and counter-proposals. No special rights are assigned to these primary shares.

### 7.9.2. Treasury shares

The transferability of the Company's shares is restricted as they may be transferred to third parties solely subject to the prior approval of the Exchange Chamber. The approval is subject to the consent of a qualified two-thirds majority of the Exchange Chamber members in attendance. In addition, the Company is obligated to repurchase its treasury shares where the Exchange Chamber does not agree with their transfer to another person.

In 2017, the Company held treasury shares in acquisition price of TCZK 550 (2016: TCZK 0).

#### Balance as at 31 December 2017

Shareholder	Owner of shares until:	Share on	Number of	Nominal	Purchase	Total	Total
	Date	share capital	stocks	value	price	purchase price	nominal value
		%	pcs	TCZK	TCZK	TCZK	TCZK
Brněnská obchodní, a.s. v likvidaci	16.5.2017	0,038 %	100	380	5,000	500	38,0
EASTBROKERS, akciová společnost v likvidaci	15.3.2017	0,004 %	10	380	5,000	50	3,8
<b>Total</b>		<b>0,042 %</b>	<b>110</b>			<b>550</b>	<b>41,8</b>

### 7.9.3. Other funds

	(in TCZK)	
	As at 31 December 2017	As at 31 December 2016
Other capital funds	9,900	9,900
Reserve fund	120,000	18,774
<b>Total</b>	<b>129 900</b>	<b>28,674</b>

Other capital contributions represent a portion of the registered capital of the subsidiary Centrální depozitář cenných papírů, a.s. of TCZK 9,900, increased in the past accounting periods using retained profits.

Based on a decision of the sole shareholder, the reserve fund of Centrálního depozitáře cenných papírů, a.s. was increased to TCZK 120,000 (2016: TCZK 18,774).

## 7.10. Retained earnings

	(in TCZK)	
	2017	2016
<b>Retained earnings from prior years as at 1 January</b>	<b>405,127</b>	<b>255,961</b>
Profit for the period	184,344	305,150
Dividends paid	-214,076	-159,299
Allocations to other funds	-101,226	928
Other changes in consolidation	0	2,386
<b>Retained earnings as at 31 December</b>	<b>274,169</b>	<b>405,127</b>

## 7.11. Deferred tax

The Group recognizes a deferred tax payable as at 31 December 2017 in the amount of TCZK 15,475 (2016: TCZK 19,642). Deferred income tax liability are attributable to the following items arising from temporary differences:

	(in TCZK)	
	As at 31 December 2017	As at 31 December 2016
Property, equipment and intangible assets	-16 866	-20,950
Other	1,391	1,308
<b>Deferred tax liability</b>	<b>-15 475</b>	<b>-19,642</b>

	(in TCZK)	
	2017	2016
As at 1 January	-19,642	-19,271
Tax charge per the statement of comprehensive income	4,167	-371
<b>As at 31 December</b>	<b>-15,475</b>	<b>-19,642</b>

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

A deferred tax liability primarily relates to the difference between the periods of accounting and tax depreciation of intangible fixed assets.

Deferred tax as at 31 December 2017 is calculated using an applicable tax rate of 19% (tax rate for 2018 and following years), depending on the period in which temporary differences are expected to be reversed.

The deferred tax at 31 December 2016 was calculated by applying a tax rate of 19%.

The Group records a deferred tax liability in any case. The Group only claims receivables which it expects to apply in future periods.

As at 31 December 2017, the Group recognised a tax asset of TCZK 2,351 which relates to tax losses for previous periods (2016: TCZK 3,303). For the reasons of prudence, the Group does not report this deferred tax asset.



## 7.12. Trade payables

	(in TCZK)	
	As at 31 December 2017	As at 31 December 2016
Trade payables from electricity trading	35,562	57,354
Other trade payables	13,761	10,279
<b>Total</b>	<b>49,323</b>	<b>67,633</b>

Trade payables from electricity trading are represented by liabilities from physical settlement of electric energy supplies from Energy Cleating Counterparty, a.s.

No trade payables were overdue as at 31 December 2017.

## 7.13. Liabilities to employees

As at 31 December 2017 payables to employees include wages and salaries for December 2017 including social security and health insurance premiums of TCZK 20,112 (2016: CZK 21,550).

In addition, the Group reported estimated payables relating to the payment of bonuses (including social security and health insurance) of TCZK 20,802 (2016: TCZK 21,843).

## 7.14. Other liabilities

	(in TCZK)	
	As at 31 December 2017	As at 31 December 2016
Payables to members/shareholders	0	1,060
Payables to associated company	30	0
Accrued expenses	272	198
Estimated payables	271	121
Other payables	1,837	1,833
<b>Financial liabilities</b>	<b>2,429</b>	<b>3,212</b>
Other payables to state	4,270	4,956
Deferred revenues	4,608	4,734
<b>Non-financial liabilities</b>	<b>8,878</b>	<b>9,690</b>
<b>Total other liabilities</b>	<b>11,307</b>	<b>12,902</b>

Payables of TCZK 1,856 (2016: TCZK 1,833) comprise primarily of payables to shareholders in arising from distribution of securities.

Other tax liabilities of TCZK 4,270 (2016: TCZK 4,956) primarily relate to income tax on employment. Deferred revenues in amount of 4,608 (2016: TCZK 4,734) relate to revenues from services provided by the Group such as the assignment of the Legal Entity Identifier (LEI) to legal entities.

### 7.15. Bank loans and guarantees

Since 2013 the Group has a general agreement with UniCredit Bank Czech Republic and Slovakia, a.s. for using a bank overdraft up to the amount of TEUR 3,000, i.e. TCZK 76,620 (2016: TEUR 3,000, i.e. TCZK 81,060). The Group has available undrawn commitments as at 31 December 2017 in the amount of TEUR 589, i.e. TCZK 15,034 (2016: TEUR 3,000, i.e. TCZK 81,060). As at 31 December 2017 the Group drew a loan in amount of TEUR 2,411, i.e. TCZK 61,586 (2016: TEUR 0, i.e. TCZK 0).

In 2017, the Group had an active overdraft facility of TCZK 10,000 (2016: TCZK 10,000) with Komerční banka, a.s. The Group also has concluded a contract for provision of a bank guarantee to secure a contingent liability to European Commodity Clearing AG of TEUR 3,000, i.e. TCZK 76,620 (2016: TEUR 3,000, i.e. TCZK 81,060).

As at 31 December 2017, the Group had a Contract for provision of a bank guarantee of TCZK 3,300 with Komerční banka, a.s. (2016: TCZK 4,000). The Group has also a general agreement with UniCredit Bank Czech Republic and Slovakia, a.s. for a bank guarantee to ensure the commitment to the Magyar Energia Hivatal in the amount of HUF 1,000,000, i.e. TCZK 82 (2016: TCZK 87).

### 7.16. Provisions

The Group did not create provisions as at 31 December 2017 and 31 December 2016.

### 7.17. CLF Fund assets and liabilities not recognized in the balance sheet

(in TCZK)

2017			
Bank accounts	19,446		
- current account	19,446		
- term account	0		
Fixed income securities held to maturity	0	Liabilities to members of CLF	19,446
<b>Total assets</b>	<b>19,446</b>	<b>Total liabilities</b>	<b>19,446</b>

(in TCZK)

2016			
Bank accounts	19,603		
- current account	19,603		
- term account	0		
Fixed income securities held to maturity	0	Liabilities to members of CLF	19,603
<b>Total assets</b>	<b>19,603</b>	<b>Total liabilities</b>	<b>19,603</b>

## 8. ADDITIONAL INFORMATION ON CONSOLIDATED CASH FLOW STATEMENT FOR 2017

The Group presents the following balances with maturity of less than three months since the date of acquisition for the purpose of the cash flow statement:

(in TCZK)

	As at 31 December 2017	As at 31 December 2016
Cash and bank accounts	145,448	315,712
<b>Total</b>	<b>145,448</b>	<b>315,712</b>

## 9. ADDITIONAL INFORMATION ACCORDING TO IFRS REQUIREMENTS

### 9.1. Fair values of financial assets and liabilities

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

Fair value of above reported items is very near to their book value as these assets and liabilities are with short maturities, with exception of long-term advances received and long-term receivables, whose amount is insignificant within the Group's financial assets and liabilities.

Fair value of other long-term assets is equal to their book value as the other long-term assets represent financial proceeds held on the bank accounts under market conditions.

### 9.2. Management of credit risk associated with financial instruments

The Group actively reduces the credit risk that arises mainly on the settlement of trades in securities and derivatives. In order to reduce the credit risk, the market participants are obliged to contribute to the collateral fund and give to the Group direct debit authorization for their current accounts.

The Group actively reduces the credit risk of its investments in securities. The investment strategy remains aimed at obtaining optimum returns on funds entrusted to the external contractor.

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

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

	(in TCZK)	
	As at 31 December 2017	As at 31 December 2016
Long-term receivables	102	102
Trade receivables and other receivables	132,031	150,802
Debt securities held for trading	45,034	44,970
Cash	145,448	315,712
Other long-term assets	220,000	0
<b>Total</b>	<b>542,615</b>	<b>511,586</b>

### Quality of financial assets which are not overdue or impaired

(in TCZK)						
2017	AAA	AA- / AA+	A- / A+	BBB	No rating	Total
Long-term receivables	0	0	0	0	102	102
Trade receivables and other receivables	0	0	0	0	125,257	125,257
Securities held for trading	45,034	0	0	0	0	45,034
Cash	0	254	138,774	6,308	0	145,448
Other long-term assets	0	0	220,000	0	0	220,000
<b>Total</b>	<b>45,034</b>	<b>254</b>	<b>358,886</b>	<b>6,308</b>	<b>125,359</b>	<b>535,841</b>

(in TCZK)						
2016	AAA	AA- / AA+	A- / A+	BBB	No rating	Total
Long-term receivables	0	0	0	0	102	102
Trade receivables and other receivables	0	0	0	0	150,802	150,802
Securities held for trading	44,970	0	0	0	0	44,970
Cash	0	706	298,129	16,391	486	315,712
<b>Total</b>	<b>44,970</b>	<b>706</b>	<b>298,129</b>	<b>16,391</b>	<b>151,390</b>	<b>511,586</b>

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

#### 2017

Financial institution	Rating
Česká národní banka	A
Komerční banka, a.s.	A
UniCredit Bank Czech Republic and Slovakia, a.s. <sup>1</sup>	BBB
Clearstream Bank	AA
European Investment Bank	AAA

#### 2016

Financial institution	Rating
Komerční banka, a.s.	A
UniCredit Bank Czech Republic and Slovakia, a.s.	BBB
Clearstream Bank	AA
European Investment Bank	AAA

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

### Individually impaired financial assets

The Group has unsecured individually impaired receivables:

(in TCZK)		
	As at 31 December 2017	As at 31 December 2016
Individually impaired financial assets	7,873	8,304
Allowances	5,946	6,159
<i>out of which:</i>		
<i>receivables in the liquidation</i>	692	692
<i>receivables under forces administration</i>	460	481

As at 31 December 2017 the Group records no collective impairment (2016: TCZK 0).

<sup>1</sup> Rating not available, presented is rating of parent company UniCredit Bank Austria, AG

## Overdue financial assets, not impaired

Year	(in TCZK)					
	Ageing structure – overdue financial assets, not impaired					
	up to 60 days	up to 90 days	up to 180 days	up to 365s days	more than 1 year	Total
2017	418	144	132	86	0	780
2016	493	128	102	122	0	845

The Group records overdue and not impaired receivables in the amount of TCZK 780 as at 31 December 2017 (2016: TCZK 845).

### 9.3. Management of liquidity risk associated with financial instruments

Liquidity risk is the risk that an entity will have difficulties in paying its financial liabilities.

The Group is exposed to limited liquidity risk since it is financed mainly by its shareholders' equity. The Group uses an overdraft denominated in EUR (note 7.15) to cover the lack of financial resources blocked by settlement of energy trades on power exchange.

Considering the fact that most financial assets and liabilities are non-interest-bearing and are recognized in the nominal value, the actual residual maturity corresponds to the timing of the expected future cash flows.

#### Liquidity risk analysis at 31 December 2017

The table below summarizes the liquidity risk. The table includes financial assets and liabilities of the Group in accounting values classified by expected maturity.

2017	(in TCZK)						
	Up to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 12 months	From 1 year to 5 years	Unspecified	Total
<b>Assets</b>							
Tangible assets	0	0	0	0	0	5,438	5,438
Intangible assets	0	0	0	0	0	89,557	89,557
Investment associates	0	0	0	0	0	46,974	46,974
Long-term receivables and loans	0	0	0	0	0	102	102
Other long-term assets	0	0	0	0	0	220,000	220,000
Trade receivables and other receivables	123,145	8,886	0	0	0	0	132,031
Other assets	0	0	0	0	0	10,177	10,177
Securities held for trading	45,034	0	0	0	0	0	45,034
Cash and cash equivalents	145,448	0	0	0	0	0	145,448
<b>Total assets</b>	<b>313,627</b>	<b>8,886</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>372,248</b>	<b>694,761</b>
<b>Liabilities</b>							
Deferred tax liability	0	0	0	0	0	15,475	15,475
Trade liabilities	49,323	0	0	0	0	0	49,323
Employee benefit payable	20,111	0	19,731	1,072	0	0	40,914
Other liabilities	11,307	0	0	0	0	0	11,307
Income tax payable	0	0	11,916	0	0	0	11,916
Short-term bank loans	61,586	0	0	0	0	0	61,586
<b>Total liabilities</b>	<b>142,327</b>	<b>0</b>	<b>31,647</b>	<b>1,072</b>	<b>0</b>	<b>15,475</b>	<b>190,521</b>
<b>Liquidity excess at 31. 12. 2017</b>	<b>171,300</b>	<b>8,886</b>	<b>-31,647</b>	<b>-1,072</b>	<b>0</b>	<b>356,773</b>	<b>504,240</b>

**Liquidity risk analysis at 31 December 2016:**

(in TCZK)

2016	Up to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 12 months	From 1 year to 5 years	Unspecifie d	Total
<b>Assets</b>							
Tangible assets	0	0	0	0	0	8,457	8,457
Intangible assets	0	0	0	0	0	109,142	109,142
Investment associates	0	0	0	0	0	44,644	44,644
Long-term receivables and loans	0	0	0	0	0	102	102
Trade receivables and other receivables	147,922	5,743	0	0	0	0	153,665
Other assets	0	0	0	0	0	10,437	10,437
Securities held for trading	0	0	0	0	44,970	0	44,970
Cash and cash equivalents	315,712	0	0	0	0	0	315,712
<b>Total assets</b>	<b>463,634</b>	<b>5,743</b>	<b>0</b>	<b>0</b>	<b>44,970</b>	<b>172,782</b>	<b>687,129</b>
<b>Liabilities</b>							
Deferred tax liability	0	0	0	0	0	19,642	19,642
Trade liabilities	67,633	0	0	0	0	0	67,633
Employee benefit payable	21,550	0	21,843	0	0	0	43,393
Other liabilities	12,902	0	0	0	0	0	12,902
Income tax payable	0	0	9,037	0	0	0	9,037
<b>Total liabilities</b>	<b>102,085</b>	<b>0</b>	<b>30,880</b>	<b>0</b>	<b>0</b>	<b>19,642</b>	<b>152,607</b>
<b>Liquidity excess at 31. 12. 2016</b>	<b>361,549</b>	<b>5,743</b>	<b>-30,880</b>	<b>0</b>	<b>44,970</b>	<b>153,140</b>	<b>534,522</b>

**Derivatives**

The Group had no outstanding derivative contracts as at 31 December 2017 and 31 December 2016.

## 9.4. Management of market risk associated with financial instruments

### 9.4.1. Sensitivity analysis of foreign exchange risk

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

The Group uses mainly EUR as a foreign currency.

For internal risk management, the Group defined two scenarios of possible EUR currency trends in 2017. The first scenario assumes an increase in the rate (depreciation of CZK) by CZK 3 and the second assumes a decrease in the rate (appreciation of CZK) by CZK 3.5.

#### **Sensitivity analysis of foreign currency (EUR) financial assets and liabilities:**

Depreciation scenario: If the exchange rate of EUR to CZK increases by CZK 3 as at 31 December 2017, the financial loss decreases by TCZK 6,606 (2016: financial loss decreases by TCZK 9,053) with respect to the translation of assets and liabilities denominated in EUR with a corresponding increase in profit before tax for 2017.

Appreciation scenario: If the exchange rate of EUR to CZK decreases by CZK 3.5 as at 31 December 2016, the financial loss increases by TCZK 7,007 (2016: financial loss increases by TCZK 10,561) with respect to the translation of assets and liabilities denominated in EUR with a corresponding decrease in profit before tax for 2017.

**The following table shows the currency position of the Group as at 31 December 2017:**

	(in TCZK)				
	CZK	EUR	USD	GBP and other currencies	Total
<b>Assets</b>					
Tangible assets	5,438	0	0	0	5,438
Intangible assets	89,557	0	0	0	89,557
Investment associates	46,974	0	0	0	46,974
Long-term receivables and loans	102	0	0	0	102
Other long-term assets	220,000	0	0	0	220,000
Trade receivables and other receivables	34,551	97,480	0	0	132,031
Other assets	10,177	0	0	0	10,177
Securities held for trading	45,034	0	0	0	45,034
Cash and cash equivalents	93,782	51,625	14	27	145,448
<b>Total assets</b>	<b>545,615</b>	<b>149,105</b>	<b>14</b>	<b>27</b>	<b>694,761</b>
<b>Liabilities</b>					
Shareholders' equity	504,240	0	0	0	504,240
Deferred tax liability	15,475	0	0	0	15,475
Trade payables	10,504	36,387	2,432	0	49,323
Liabilities to employees	40,914	0	0	0	40,914
Other liabilities	11,307	0	0	0	11,307
Tax liability	11,916	0	0	0	11,916
Short-term advances paid	19	0	0	0	19
Short-term bank loans	0	61,586	0	0	61,586
<b>Total liabilities</b>	<b>594,356</b>	<b>97,973</b>	<b>2,432</b>	<b>0</b>	<b>694,761</b>
<b>Net currency position as at 31 December 2017</b>	<b>-48,741</b>	<b>51,132</b>	<b>-2,418</b>	<b>27</b>	<b>0</b>

**The following table shows the currency position of the Group as at 31 December 2016:**  
 (in TCZK)

	CZK	EUR	USD	GBP and other currencies	Total
<b>Assets</b>					
Tangible assets	8,457	0	0	0	8,457
Intangible assets	109,142	0	0	0	109,142
Investment associates	44,644	0	0	0	44,644
Long-term receivables and loans	102	0	0	0	102
Trade receivables and other receivables	52,749	100,916	0	0	153,665
Other assets	10,437	0	0	0	10,437
Securities held for trading	44,970	0	0	0	44,970
Cash and cash equivalents	276,747	38,919	17	29	315,712
<b>Total assets</b>	<b>547,248</b>	<b>139,835</b>	<b>17</b>	<b>29</b>	<b>687,129</b>
<b>Liabilities</b>					
Shareholders' equity	534,522	0	0	0	534,522
Deferred tax liability	19,642	0	0	0	19,642
Trade payables	7,965	58,300	1,368	0	67,633
Liabilities to employees	43,393	0	0	0	43,393
Other liabilities	12,902	0	0	0	12,902
Tax liability	9,037	0	0	0	9,037
Short-term bank loans	0	0	0	0	0
Provisions	0	0	0	0	0
<b>Total liabilities</b>	<b>627,461</b>	<b>58,300</b>	<b>1,368</b>	<b>0</b>	<b>687,129</b>
<b>Net currency position as at 31 December 2016</b>	<b>-80,213</b>	<b>81,535</b>	<b>-1,351</b>	<b>29</b>	<b>0</b>



#### 9.4.2. Interest rate risk

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

Interest rate fair value risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument, therefore, indicates to what extent it is exposed to interest rate risk. The table below provides information on the extent of the Group's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that re-price to a market rate of interest before maturity, the next re-pricing date.

#### Interest rate sensitivity analysis

The Group considers the impact of a change in market interest rates on the value of assets and liabilities denominated in any currency and recognized in the Group's statement of financial position as immaterial. This is due to low interest sensitivity of these assets and liabilities.

#### Interest rate sensitivity as at 31 December 2017:

(in TCZK)

2017	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Unspecified	Total
<b>Assets</b>						
Other long-term assets	220,000	0	0	0	0	220,000
Securities held for trading	0	0	45,034	0	0	45,034
Cash and cash equivalents	145,448	0	0	0	0	145,448
<b>Total assets</b>	<b>365,448</b>	<b>0</b>	<b>45,034</b>	<b>0</b>	<b>0</b>	<b>410,482</b>

#### Interest rate sensitivity as at 31 December 2016:

(in TCZK)

2016	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Unspecified	Total
<b>Assets</b>						
Securities held for trading	0	0	44,970	0	0	44,970
Cash and cash equivalents	315,712	0	0	0	0	315,712
<b>Total assets</b>	<b>315,712</b>	<b>0</b>	<b>44,970</b>	<b>0</b>	<b>0</b>	<b>360,682</b>

## 9.5. Fair value levels

The following table analyses financial assets carried at fair value according to quality of inputs used for the valuation:

(in TCZK)				
<b>2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Debt securities	0	45,034	0	45,034
<b>Total assets</b>	<b>0</b>	<b>45,034</b>	<b>0</b>	<b>45,034</b>
Short-term bank loans	0	61,586	0	61,586
<b>Total liabilities</b>	<b>0</b>	<b>61,586</b>	<b>0</b>	<b>61,586</b>

(in TCZK)				
<b>2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Debt securities	0	44,970	0	44,970
<b>Total assets</b>	<b>0</b>	<b>44,970</b>	<b>0</b>	<b>44,970</b>

In 2017 and 2016 there was no movement between the levels.

## 9.6. Capital Management

The Group uses the definition of financial capital maintenance. A profit is earned only if the amount of net assets at the end of a period exceeds the amount at the beginning of the period, excluding any inflows from or outflows to owners, such as contributions and distributions.

Individual items included in equity are presented in the Statement of changes in equity.

The capital management objectives of the Group are as follows:

- to be in compliance with the laws of the Czech Republic; Act No. 90/2012, Coll. on commercial companies and cooperatives (Law on Commercial Corporations);
- to ensure the ability of the Group to meet the conditions of a going concern so as to generate profit from the investments of shareholders and in favour of stakeholders;
- to maintain a strong capital position that would help to develop the business.

The primary business objective of the Group is to ensure smooth execution of exchange trades and their settlement. For the purposes of effective settlement and reducing credit risk (settlement risk), the Group accepts financial contributions from market participants to the Collateral Fund, the Clearing Fund and fees for services provided.

The dividend policy is the main tool for the capital management.

The planned dividend for 2017 for the Group shareholders amounts to CZK 203 per share (2016: CZK 808 per share).

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

The Group's consolidated financial statements for the year ended 31 December 2017 were prepared in accordance with the standard IFRS 7 – Financial Instruments: Disclosures.

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

### Financial instruments by class and category as at 31 December 2017:

Categories	Loans and receivables	Securities held for trading	Financial assets held for trading (derivatives)	(In TCZK)	
				Financial liabilities	Financial liabilities held for trading (derivatives)
<b>Classes</b>					
Long-term receivables	102	0	0	0	0
Other long-term assets	220,000	0	0	0	0
Trade receivables and other receivables	125,257	0	0	0	0
Other assets	0	0	0	0	0
Securities held for trading	0	45,034	0	0	0
Cash and cash equivalents	145,448	0	0	0	0
Long-term advances received	0	0	0	0	0
Trade payables	0	0	0	49,323	0
Employee benefit payable	0	0	0	39,842	0
Other liabilities	0	0	0	2,410	0
Short-term bank loans	0	0	0	61,586	0
<b>Total</b>	<b>490,807</b>	<b>45,034</b>	<b>0</b>	<b>153,190</b>	<b>0</b>

### Financial instruments by class and category as at 31 December 2016:

Categories	Loans and receivables	Securities held for trading	Financial assets held for trading (derivatives)	(In TCZK)	
				Financial liabilities	Financial liabilities held for trading (derivatives)
<b>Classes</b>					
Long-term receivables	102	0	0	0	0
Trade receivables and other receivables	150,801	0	0	0	0
Other assets	0	0	0	0	0
Securities held for trading	0	44,970	0	0	0
Cash and cash equivalents	315,712	0	0	0	0
Long-term advances received	0	0	0	0	0
Trade payables	0	0	0	67,633	0
Short-term advances received	0	0	0	0	0
Employee benefit payable	0	0	0	43,393	0
Other liabilities	0	0	0	3,212	0
Short-term bank loans	0	0	0	0	0
<b>Total</b>	<b>466,615</b>	<b>44,970</b>	<b>0</b>	<b>114,238</b>	<b>0</b>

**Gains and losses by category of financial instruments for 2017:**

(in TCZK)

Categories	Loans and receivables	Securities held for trading	Financial assets held for trading (derivatives)	Financial liabilities	Financial liabilities held for trading (derivatives)
<b>Classes</b>					
Interest income	0	61	0	0	0
Interest expense	0	0	0	-225	0
Net trading income	0	63	0	0	0
FX difference income	4,328	0	0	0	0
FX difference expenses	0	0	0	-5,406	0
Other net financial income	0	0	0	-1,574	0
<b>Total</b>	<b>4,328</b>	<b>124</b>	<b>0</b>	<b>-7,205</b>	<b>0</b>

**Gains and losses by category of financial instruments for 2016:**

(in TCZK)

Categories	Loans and receivables	Securities held for trading	Financial assets held for trading (derivatives)	Financial liabilities	Financial liabilities held for trading (derivatives)
<b>Classes</b>					
Interest income	95	42	0	0	0
Interest expense	0	0	0	-271	0
Net trading income	0	148	0	0	0
FX difference income	1,105	0	0	0	0
FX difference expenses	0	0	0	-1,421	0
Other net financial income	0	0	0	-1,320	0
<b>Total</b>	<b>1,200</b>	<b>190</b>	<b>0</b>	<b>-3,012</b>	<b>0</b>

## 10. RELATED PARTIES

Effective from 8 December 2008, CEESEG Aktiengesellschaft (former Wiener Börse, AG) became the majority shareholder of the Group.

CEESEG Aktiengesellschaft owns as at 31 December 2017:

- 100% share of Wiener Börse AG;
- 99,355% (2016: 99,355% ) share of Burza cenných papírů Praha, a.s.

The Company recognizes the following transactions with Wiener Börse AG:

(in TCZK)		
Revenues/Expenses	2017	2016
Agreement on information sale cooperation	36,235	38,157
Agreement regarding indices trading	136	141
Other revenues	1	1
<b>Revenues total</b>	<b>36,372</b>	<b>38,299</b>
Agreement on technical trading system XETRA	9,328	8,971
Web maintenance	672	839
<b>Expenses total</b>	<b>10,000</b>	<b>9,810</b>

(in TCZK)		
Receivables/Payables	As at 31 December 2017	As at 31 December 2016
Agreement on information sale cooperation and PX index trading	18,005	19,454
<b>Trade receivables</b>	<b>134</b>	<b>19,454</b>
Agreement on technical trading system XETRA	<b>18,139</b>	0
Web maintenance	281	137
System maintenance	31	0
<b>Trade payables</b>	<b>312</b>	<b>137</b>

The Company recognised the following transactions with CEESEG AG:

(in TCZK)		
Revenues/Expenses	2017	2016
Insurance	93	83
<b>Service expenses total</b>	<b>93</b>	<b>83</b>
Other revenues	63	1
Financial revenues	0	64
<b>Revenues total</b>	<b>63</b>	<b>65</b>

The Company recognised the following transactions with PXE (the associate):

(in TCZK)		
Receivables/Payables	2017	2016
Trade receivables	64	0
Estimated receivables	2	33
<b>Receivables total</b>	<b>66</b>	<b>33</b>
Suppliers	0	58
VAT payables	30	87
Deferred revenues	195	0
Estimated payables	0	12
<b>Payables total</b>	<b>225</b>	<b>157</b>

	(in TCZK)	
<b>Revenues/Expenses</b>	<b>2017</b>	<b>2016</b>
FX losses	6	0
<b>Expenses total</b>	<b>6</b>	<b>0</b>
Fees for services	5,251	4,732
Rent	622	649
FX gains	2	7
<b>Revenues total</b>	<b>5,875</b>	<b>5,388</b>

The terms of the transactions with the related party reflects the market prices.

## 11. SUBSEQUENT EVENTS

No events have occurred since the balance sheet date that would have any material impact on the financial statements as at 31 December 2017.

Prague, 8 March 2018

Statutory body's signature:



.....  
Petr Kobic  
Chairman of the Exchange Chamber



.....  
Helena Čacká  
Member of the Exchange Chamber

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





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

## **Independent Auditor's Report to the Shareholders of Burza cenných papírů Praha, a.s.**

### ***Opinion***

We have audited the accompanying consolidated financial statements of Burza cenných papírů Praha, a.s. ("the Company"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated 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 consolidated financial statements.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### ***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 Consolidated 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 consolidated annual report other than the consolidated financial statements and our auditor's report. The statutory body is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 consolidated financial statements is, in all material respects, consistent with the consolidated 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 Consolidated Financial Statements***

The statutory body is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the statutory body determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated financial statements of Burza cenných papírů Praha, a.s. as at 31 December 2017, based on which this independent auditor's report has been prepared.

Prague  
8 March 2018

*KPMG Česká republika Audit*

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

Vladimír Dvořáček  
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