

## **Consolidated annual report 2018**

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

## Contents

Company profile .....	3
History .....	3
Report of the exchange chamber on business activities and the state of assets .....	4
Introduction.....	4
Key data .....	5
Non-consolidated financial performance (according to CAS) .....	6
Consolidated financial performance (according to IFRS as adopted by EU).....	8
Activities in 2018.....	9
Trading .....	9
START .....	9
Member affairs.....	11
Report on relations .....	12
Financial section.....	16
Financial statements .....	16
Independent Auditor's report .....	49
Consolidated financial statements .....	53
Independent Auditor's report .....	107
Contacts.....	111

## 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 99.543% 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.

### History

Efforts to create a stock exchange date back to the reign of the Empress Maria Theresa, but success was not achieved until 1871. Initially, both securities and commodities were traded at the Prague exchange. The Prague exchange enjoyed great success in the sugar trade, becoming a key market for the whole Austro-Hungarian Empire.

After World War I, however, this type of transaction declined, so thereafter only securities were traded. For the Prague exchange, the interwar period became the era of its greatest boom. The Prague exchange even surpassed the Vienna exchange in importance. This period of prosperity was, however, interrupted by the arrival of World War II, bringing an end to trading at the Prague exchange for more than 60 years. Not until after the fall of Communism was it possible to follow up on the exchange's heritage of success and prosperity. With the first trades made on the floor of the renewed exchange on 6 April 1993, the Prague Stock Exchange began to write its modern history.

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

### Introduction

*In 2018, PX Group achieved a business result that exceeded its target, primarily owing to revenues generated by the Central Securities Depository.*

*The Prague Stock Exchange has successfully handled the application and impact of new European legislation (MiFID II, MiFIR) and, in an overall assessment, has proven to be among the best in so doing. Trading volume for 2018 has held at approximately the same level as the previous year; a marginal increase was recorded. The launch of the “START – Public offering” system can be considered one of the year’s successes, as can almost 50% growth in bond trading. In contrast, trading in structured products saw a decline.*

*Key factors in 2018 were the granting of a Central Securities Depository authorisation by the Czech National Bank to perform the activities of a central depository in accordance with the harmonised European legislation implemented by the CSDR Regulation. The Central Depository started the process of obtaining Czech National Bank authorisation in September 2017 and successfully completed the licensing procedure in December 2018. With the publication of technical standards for settlement punctuality in September 2018, a 24-month deadline for CSDR Regulation implementation was introduced to execute the requirements of the given technical standards, primarily in the field of OTC transaction settlement fees and obligatory substitution trades in the event of settlement failure. As soon as the technical standards were published, the Central Depository opened a technical discussion with participants on how to tie these necessary changes in with the further development of individual services and settlement processes. Moving forward, the successful implementation of all required changes in 2020 will be a top priority.*

*Since mid 2017, the development of PXE (POWER EXCHANGE CENTRAL EUROPE) trading activity has mainly been impacted by integration into the EEX Group. The impact of the resulting synergies and associated liquidity growth owing to intragroup cooperation with what is Europe’s largest commodities exchange continued as expected into 2018, when PXE achieved its best results ever on the electricity and gas market. PXE is continually expanding its portfolio of products on Central and Eastern European markets, and thus expects to continue growing its trading volume in future years.*

**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

	2013	2014	2015	2016	2017	2018
Number of exchange days	250	250	249	252	250	249
<b>SHARES</b>						
Total trading volume (BCZK)	174.74	153.49	167.90	168.03	138.78	142.55
Average daily volume (MCZK)	698.96	613.95	674.28	666.78	555.13	572.49
Market capitalisation (BCZK)	1 093.48	1 040.29	1 100.47	1 044.46	1 252.58	21 261.96
Number of issues (year-end)	26	23	25	25	23	53
PX Index	989.04	946.71	956.33	921.61	1 078.16	986.56
PX-TR Index	1 389.42	1 384.89	1 455.91	1 481.56	1 830.91	1 766.18
PX-GLOB Index	1 239.49	1 183.83	1 240.95	1 198.40	1 449.97	1 342.44
<b>BONDS</b>						
Total trading volume (BCZK)	1.93	8.23	5.10	4.15	6.21	9.27
Number of issues (year-end)	110	116	112	115	116	112
<b>STRUCTURED PRODUCTS</b>						
Total trading volume (MCZK)	122.16	568.65	262.01	126.35	227.31	132.39
Number of issues (year-end)	103	68	89	71	61	72
<b>INVESTMENT SHARES AND INVESTMENT FUND'S UNITS</b>						
Total trading volume (MCZK)	-	-	0.00	62.66	87.28	42.86
Number of issues (year-end)	-	-	17	37	32	38

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

In 2018, the Prague Stock Exchange (PSE) generated revenue from its own services of TCZK 198 845 (2017: TCZK 186 664), which can be analysed as follows:

(in TCZK)	2018	2017
Stock exchange fees	46 394	42 561
Services relating to settlement of securities	62 185	61 260
Stock exchange information	40 391	36 420
Services for Centrální depozitář cenných papírů, a.s.	37 353	34 073
Services for POWER EXCHANGE CENTRAL EUROPE, a.s.	4 768	4 635
Other services	7 754	7 715
<b>Revenue from own services</b>	<b>198 845</b>	<b>186 664</b>

Growth in revenue from own services by 6.5% (TCZK 12 181) primarily resulted from an increase in fees from trading to TCZK 23 819 in 2018 (2017: TCZK 20 568) and the sale of stock exchange information amounting to TCZK 40 391 (2017: TCZK 36 420).

For 2018, the Company reported current period profit after tax of TCZK 218 397 (2017: TCZK 53 727). This year-on-year growth was attributable to 2018 financial results of TCZK 162 728 (2017: TCZK (395)) and was further impacted by revenue from long-term financial assets.

PSE's total assets as at 31 December 2018 amounted to TCZK 353 286 (2017: TCZK 182 425). Their structure was as follows:

(in TCZK)	2018	2017
Fixed assets (net)	122 659	119 830
Receivables and other current assets (net)	47 844	38 831
Cash (net)	182 783	23 764
<b>Total assets</b>	<b>353 286</b>	<b>182 425</b>

PSE's fixed assets also include long-term investments comprising PSE's ownership interests in corporations, amounting to TCZK 116 446 (2017: TCZK 116 446). On 24 April 2018, PSE's general meeting of shareholders decided to pay a share in profit of CZK 203 per share (the total shares in profit paid amounted to TCZK 53 784). The average number of employees was 31.3 in 2018 (2017: 30.8 employees).

*Other information:*

*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. PSE actively restricts and manages credit risk ensuing from the settlement of securities and derivatives transactions, and liquidity risk, which implies that PSE will not have sufficient resources to meet its obligations. PSE's risk management objectives and methods, including its policy to hedge all major types of transactions that use hedging derivatives, are further described in the Notes to the Consolidated Financial Statements. If material events constituting subsequent events occurring between the balance sheet date and the date of preparation of the financial statements, the consequences of those events are described in the Notes to the Financial Statements, but are not recognised in the financial statements. The PSE management is aware of no material subsequent events that would have had an impact on the financial statements for the year ending 31 December 2018.*

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

In 2018, the Group generated consolidated revenue of TCZK 505 593 (2017: TCZK 470 743), which can be analysed as follows:

(in TCZK)	2018	2017
Exchange trading fees	23 819	20 568
Administrative fees	22 574	21 993
Stock exchange information	40 276	36 244
Revenue from the settlement of trades	81 806	81 168
Fee for registration of an issue and related services	132 759	110 902
Fee for keeping records	160 256	157 387
Other services of CSD Prague	37 416	36 290
Other revenue from provided services	6 687	6 191
<b>Revenue</b>	<b>505 593</b>	<b>470 743</b>

Revenues increased by 7.4% (TCZK 34,850) compared to the previous period. The impact on growth, which primarily might be charged for sales on stock exchange information, which increased by 12.8% (TCZK 7,283), increased by the entry of a new issue in the central register, which increased by 36.5% (TCZK 18,435). The Group showed total comprehensive income TCZK 208,935 in 2018 (2017: TCZK 184,344), which is an increase of TCZK 24,591 compared to 2017.

The Group's total assets as at 31 December 2018 amounted to TCZK 867 789 (2017: TCZK 694 761). Their structure was as follows:

(in TCZK)	2018	2017
Total fixed assets (net)	357 115	362 071
Receivables and other current assets (net)	193 231	187 242
Short-term financial assets (net)	317 443	145 448
<b>Total assets</b>	<b>867 789</b>	<b>694 761</b>

The average number of employees was 76.4 in 2018 (2017: 74.0 employees).

*Other information:*  
The Group complies with all applicable labour laws and regulations.



## Activities in 2018

### Trading

As of the first trading day of 2018, all structured products, i.e. investment certificates and warranties, were transferred to the unregulated stock exchange.

In May 2018, the exchange commenced trading in so-called dual listings with the support of market makers. This involved 31 share issues whose market makers were the exchange members Patria Finance, Raiffeisen Centrobank and Wood & company. Two additional ETF issues were executed, with Wood & company serving as market maker. These ETF issues are the first issues of this type of security accepted for trading. All dual listing issues are traded on the unregulated stock exchange.

Compared to 2017, there has been a significant increase in debt securities trading thanks to trading in corporate bonds. J&T banka remains the market maker for these issues.

### START

In spring 2018, the exchange launched the START project designed for small innovative enterprises wishing to obtain new capital at minimum cost. Here, trading isn't continual, like on other Prague Stock Exchange markets, but only happens several times a year.

Issues are first offered in a public offering (subscription) in the "START – public offering" trading application and, if a subscription is successful, the issues are accepted for trading on the exchange. A part of the unregulated market called the "START Market" is designated for these purposes and trading is conducted via the Xetra® system. The public offering and subsequent trading are only executed on predetermined days.

Only enterprises based in the Czech Republic whose shares are duly dematerialized are eligible to participate in the project. START is designed for small and medium-sized enterprises; the value of an enterprise at the time of joining START must fall within a range of CZK 25 million – 2 billion.

#### **Enterprises (issuers)**

wishing to obtain new capital:

START is a market for small innovative enterprises wishing to obtain new capital, or whose owners want to exit their existing business partially or completely. The advantage of START, as compared to other similar markets in Europe, is the minimal cost to the issuer. The price of new capital thus become competitive with any other form of financing or exit.

#### **Investors**

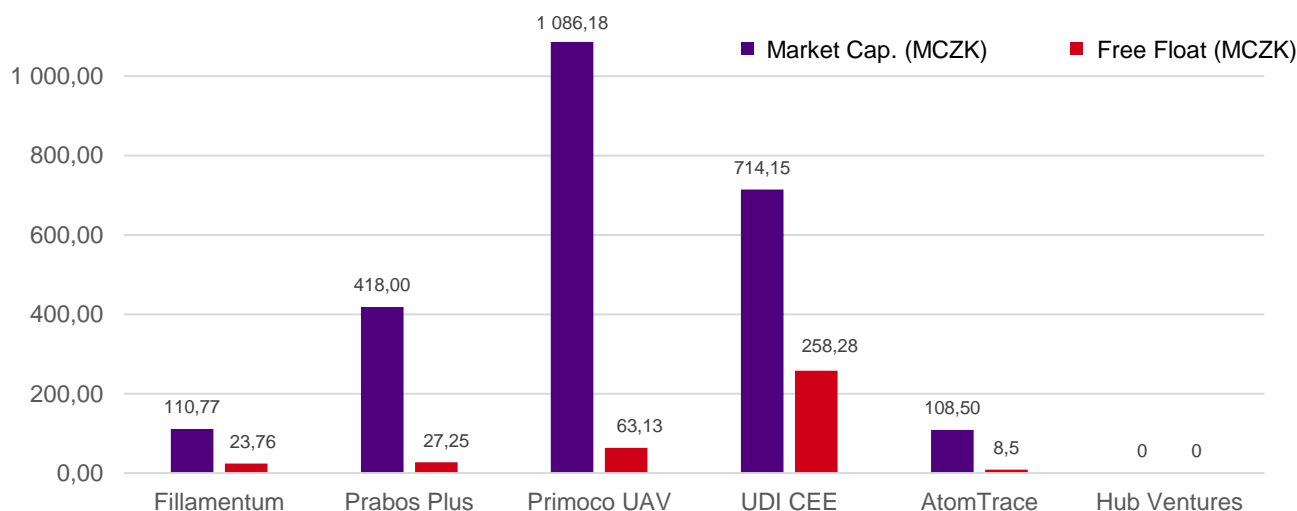
wishing to become shareholders:

START is targeted at experienced investors who want to become both shareholders and partners in successful small and medium-sized enterprises and are able to accept a higher level of investment risk. Investors are recruited from the ranks of experienced, well-capitalized individual investors or institutional investors.

START launched operations on 15 May 2018, when the first two companies – Fillamentum and Prabos Plus – held a public offering. Subsequently, there were three more START trading says. On 26 June 2018, the public offering of the company Prabos Plus was increased and on 2 October 2018, the shares of two other companies – Primoco UAV and UDI CEE – were successfully subscribed. On the last trading day, 27 November 2018, the company AtomTrace subscribed its shares. In the first year of the START project’s existence, only one public share offering, of the company Hub Ventures, was withdrawn.

For subsequent trading of already subscribed shares, a minimum trading volume (“lot”) of CZK 100 000 was set in the Xetra® exchange trading system. Shares were traded in the form of open auctions on three trading days (26 June, 2 October and 27 November 2018), i.e. concurrently with the days on which public offerings were made.

*Overview of START issuers at 31 December 2018:*



*Changes in share prices in the START Market for 2018:*

	Date of admission	Initial share price	Closing share price as at 31 Dec. 2018	Date of admission
Fillamentum	15th May 2018	CZK 825	CZK 860	4.24%
Prabos Plus	15th May 2018	CZK 400	CZK 418	4.50%
Primoco UAV	2nd October 2018	CZK 250	CZK 250	0.00%
UDI CEE	2nd October 2018	CZK 440	CZK 450	2.27%
AtomTrace	27th November 2018	CZK 50	CZK 50	-

In 2019, public offerings and subsequent trading will no longer take place concurrently on the same day, but separately. At the same time, trading frequency on the START Market and trading days will occur every second Wednesday of a given month (with the exception of the fourth Wednesday in May). The deadlines for public share offerings are set for 21 May, 8 October and 10 December 2019.

### **Member affairs**

In the course of 2018, the company Ipopema Securities S.A. terminated its membership, while Erste Group Bank AG became a member. Erste Group Bank not only became a member, but also commenced to act as a liquidity market maker for investment certificates and warranties, taking both these activities over from Česká Spořitelna (the adjusting of intragroup relations).

Thus, the total number continues to be: 16 trading members (of which: 12 domestic and 4 foreign) and another two statutory members (the Czech Ministry of Finance 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 2018 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 2018 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 99.54% 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 2018 accounting period at the instigation or in the interest of the Controlling Entity or entities controlled by the Controlling Entity where such acts concern assets with a value exceeding 10% of the Controlled Entity's equity identified from the last financial statements (Section 82 (2) (d) of BCA; and
- b) an overview of agreements concluded between the Controlled Entity and the Controlling Entity or between controlled entities (Section 82 (2) (e) of BCA).

BCPP – Report of controlled entity on relations for accounting period 2018

Concerning a), the general meeting of 24 April 2018 approved BCPP's financial statements for 2017 and a motion for profit distribution in the amount of TCZK 53 883 by paying a share in profit of CZK 203 per share. No other acts pursuant to Section 82 (2) (d) of BCA were performed in the 2018 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 2018 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 2018 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, as amended by Amendment No. 2 dated 15 February 2018	Agreement authorising the other stock exchange to make membership at partner stock exchange

BCPP – Report of controlled entity on relations for accounting period 2018

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 (web services), as amended by Side Letter No. 2 dated 3 October 2018	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 2019



.....  
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 2018**

**Corporation Name:** Burza cenných papírů Praha, a.s.  
**Registered Office:** Prague 1, Rybná 14/682  
**Legal Form:** Joint Stock Company  
**Business Identification Number:** 471 15 629  
**Date of Preparation:** 8 March 2019

<b>BALANCE SHEET</b> .....	<b>1</b>
<b>INCOME STATEMENT</b> .....	<b>3</b>
<b>CASH FLOW STATEMENT</b> .....	<b>4</b>
<b>STATEMENT OF CHANGES IN EQUITY</b> .....	<b>5</b>
<b>1 GENERAL INFORMATION</b> .....	<b>6</b>
1.1 1.1 INCORPORATION AND DESCRIPTION OF THE CORPORATION .....	6
1.2 YEAR-ON-YEAR CHANGES AND AMENDMENTS TO THE COMMERCIAL REGISTER.....	6
1.3 ORGANIZATIONAL STRUCTURE OF THE COMPANY.....	6
1.4 BCPP GROUP IDENTIFICATION .....	7
1.4.1 <i>Centrální depozitář cenných papírů, a.s.</i> .....	7
1.4.2 <i>Energy Clearing Counterparty, a.s.</i> .....	8
1.4.3 <i>POWER EXCHANGE CENTRAL EUROPE, a.s.</i> .....	8
1.5 EXCHANGE CHAMBER AND SUPERVISORY BOARD AS AT 31 DECEMBER 2018 .....	8
<b>2 ACCOUNTING POLICIES</b> .....	<b>9</b>
2.1 BASIC PRINCIPLES OF FINANCIAL STATEMENTS PREPARATION .....	9
2.2 TANGIBLE FIXED ASSETS.....	9
2.3 INTANGIBLE FIXED ASSETS.....	10
2.4 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES .....	10
2.5 OTHER SECURITIES AND INVESTMENTS.....	10
2.6 CASH AND CASH EQUIVALENTS .....	11
2.7 FOREIGN CURRENCY TRANSLATION.....	11
2.8 RECEIVABLES .....	11
2.9 PROVISIONS .....	11
2.10 INCOME TAX.....	11
2.11 DEFERRED TAX.....	12
2.12 OWN SHARES (OWN OWNERSHIP INTERESTS) .....	12
2.13 RELATED PARTIES.....	12
2.14 REVENUE RECOGNITION .....	12
2.15 LEASES .....	12
2.16 SUPPLEMENTARY RETIREMENT INSURANCE AND LIFE INSURANCE.....	12
2.17 GROUP REGISTRATION FOR VAT .....	12
2.18 USE OF ESTIMATES .....	13
2.19 SUBSEQUENT EVENTS .....	13
2.20 CHANGE IN ACCOUNTING POLICIES AND PROCEDURES.....	13
<b>3 ADDITIONAL INFORMATION ON THE BALANCE SHEET AND THE INCOME STATEMENT</b> .....	<b>14</b>
3.1 FIXED ASSETS.....	14
3.1.1 <i>Intangible fixed assets</i> .....	14
3.1.2 <i>Tangible fixed assets</i> .....	15
3.2 LEASED ASSETS.....	16
3.3 LONG-TERM INVESTMENTS .....	16
3.4 SHORT-TERM FINANCIAL ASSETS.....	18
3.5 RECEIVABLES .....	18
3.5.1 <i>Trade receivables</i> .....	18
3.5.2 <i>Ageing of short-term trade receivables</i> .....	18
3.5.3 <i>Allowances against receivables</i> .....	18
3.5.4 <i>Due from government - tax receivables</i> .....	19
3.5.5 <i>Unbilled revenue</i> .....	19
3.5.6 <i>Receivables from group companies</i> .....	19
3.6 PREPAID EXPENSES AND ACCRUED INCOME .....	20
3.7 EQUITY.....	20
3.7.1 <i>Registered capital</i> .....	20
3.7.2 <i>Own shares</i> .....	20
3.7.3 <i>Profit for the year 2017 distribution and planned distribution of profit for the year 2018</i> .....	20
3.8 PROVISIONS .....	20
3.9 LIABILITIES.....	21

3.9.1	<i>Trade payables</i> .....	21
3.9.2	<i>Liabilities – controlled or controlling entity</i> .....	21
3.9.3	<i>Liabilities to employees</i> .....	21
3.9.4	<i>Liabilities arising from social security and health insurance</i> .....	21
3.9.5	<i>Due to government – taxes and subsidies</i> .....	21
3.9.6	<i>Unbilled deliveries</i> .....	21
3.9.7	<i>Liabilities to group companies</i> .....	22
3.10	ACCRUALS AND DEFERRED INCOME.....	22
3.11	DEFERRED TAX .....	23
3.12	INCOME TAX ON ORDINARY ACTIVITY.....	23
3.13	REVENUES ON ORDINARY ACTIVITY BY PRINCIPAL ACTIVITY.....	24
3.14	COST OF SERVICES .....	24
3.15	OTHER OPERATING INCOME .....	24
3.16	MISCELLANEOUS OPERATING EXPENSES .....	24
3.17	FINANCE INCOME .....	25
3.18	FINANCE COST.....	25
3.19	RELATED PARTY TRANSACTIONS .....	25
3.19.1	<i>Revenues from related party transactions</i> .....	25
3.19.2	<i>Costs incurred in related party transactions</i> .....	26
<b>4</b>	<b>EMPLOYEES, MANAGEMENT AND STATUTORY BODIES.....</b>	<b>27</b>
4.1	PERSONNEL EXPENSES AND NUMBER OF EMPLOYEES (WITHOUT BENEFITS TO MEMBERS OF THE COMPANY'S STATUTORY BODIES) .....	27
4.2	LOANS, BORROWINGS AND OTHER BENEFITS PROVIDED TO MEMBERS OF THE COMPANY'S BODIES	27
4.3	CONTINGENT LIABILITIES .....	28
4.3.1	<i>Bank guarantees</i> .....	28
4.3.2	<i>Legal disputes</i> .....	28
4.4	EXCHANGE ARBITRATION COURT.....	28
<b>5</b>	<b>SUBSEQUENT EVENTS .....</b>	<b>29</b>

		As at 31/ 12/ 2018			As at
		Gross	Allowances	Net	31/ 12/ 2017
<b>BALANCE SHEET</b>		<b>Burza cenných papírů Praha, a.s.</b>			
<b>Long-form</b>		<b>Business Identification</b>			
		<b>Number: 471 15 629</b>			
as at 31 December 2018		Rybná 14/682			
(in CZK thousands)		110 05 Praha 1			
<b>TOTAL ASSETS</b>	<b>001</b>	<b>430,660</b>	<b>(77,374)</b>	<b>353,286</b>	<b>182,425</b>
<b>B. Fixed assets</b>	<b>003</b>	<b>199,188</b>	<b>(76,529)</b>	<b>122,659</b>	<b>119,830</b>
<b>B.I. Intangible fixed assets</b>	<b>004</b>	<b>47,180</b>	<b>(45,953)</b>	<b>1,227</b>	<b>94</b>
<b>B.I.2. Valuable rights</b>	<b>006</b>	<b>43,280</b>	<b>(42,053)</b>	<b>1,227</b>	<b>94</b>
B.I.2.1. Software	007	43,280	(42,053)	1,227	94
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>31,562</b>	<b>(26,576)</b>	<b>4,986</b>	<b>3,290</b>
B.II.2. Movable assets and sets of movable assets	018	31,562	(26,576)	4,986	3,277
B.II.5. Advances granted for tangible fixed assets and tangible fixed assets in progress	024	0	0	0	13
B.II.5.2. Tangible fixed assets in progress	026	0	0	0	13
<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. Interests – controlled or controlling entity	028	110,446	(4,000)	106,446	106,446
B.III.3. Interests – significant influence	030	10,000	0	10,000	10,000
<b>C. Current assets</b>	<b>037</b>	<b>218,057</b>	<b>(845)</b>	<b>217,212</b>	<b>55,487</b>
<b>C.II. Receivables</b>	<b>046</b>	<b>35,274</b>	<b>(845)</b>	<b>34,429</b>	<b>31,723</b>
<b>C.II.1. Long-term receivables</b>	<b>047</b>	<b>397</b>	<b>0</b>	<b>397</b>	<b>448</b>
C.II.1.4. Deferred tax asset	051	310	0	310	361
<b>C.II.1.5. Other receivables</b>	<b>052</b>	<b>87</b>	<b>0</b>	<b>87</b>	<b>87</b>
C.II.1.5.2. Long-term advances granted	054	87	0	87	87
<b>C.II.2. Short-term receivables</b>	<b>057</b>	<b>34,877</b>	<b>(845)</b>	<b>34,032</b>	<b>31,275</b>
C.II.2.1. Trade receivables	058	10,818	(845)	9,973	9,399
<b>C.II.2.4. Other receivables</b>	<b>061</b>	<b>24,059</b>	<b>0</b>	<b>24,059</b>	<b>21,876</b>
C.II.2.4.3. Due from government - tax receivables	064	3,222	0	3,222	3,722
C.II.2.4.4. Short-term advances granted	065	156	0	156	94
C.II.2.4.5. Unbilled revenue	066	20,662	0	20,662	18,046
C.II.2.4.6. Miscellaneous receivables	067	19	0	19	14
<b>C.IV. Cash</b>	<b>075</b>	<b>182,783</b>	<b>0</b>	<b>182,783</b>	<b>23,764</b>
C.IV.1. Cash in hand	076	36	0	36	35
C.IV.2. Cash at bank	077	182,747	0	182,747	23,729
<b>D. Prepaid expenses and accrued income</b>	<b>078</b>	<b>13,415</b>	<b>0</b>	<b>13,415</b>	<b>7,108</b>
D.1. Prepaid expenses	079	13,415	0	13,415	7,108

		As at 31/ 12/ 2018	As at 31/ 12/ 2017
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>082</b>	<b>353,286</b>	<b>182,425</b>
<b>A. Equity</b>	<b>083</b>	<b>318,667</b>	<b>154,054</b>
<b>A.I. Basic capital</b>	<b>084</b>	<b>100,171</b>	<b>100,171</b>
A.I.1. Registered capital	085	100,721	100,721
A.I.2. Own ownership interests (-)	086	(550)	(550)
<b>A.IV. Profit (loss) brought forward (+/-)</b>	<b>099</b>	<b>99</b>	<b>156</b>
A.IV.1. Retained earnings	100	99	156
<b>A.V. Profit (loss) for the year (+/-)</b>	<b>102</b>	<b>218,397</b>	<b>53,727</b>
<b>B.+ C. PROVISIONS AND LIABILITIES</b>	<b>104</b>	<b>30,124</b>	<b>26,858</b>
<b>B. Provisions</b>	<b>105</b>	<b>920</b>	<b>1,479</b>
B.2. Provision for corporate income tax	107	390	407
B.4. Other provisions	109	530	1,072
<b>C. Liabilities</b>	<b>110</b>	<b>29,204</b>	<b>25,379</b>
<b>C.II. Current liabilities</b>	<b>126</b>	<b>29,204</b>	<b>25,379</b>
C.II.4. Trade payables	132	7,356	5,466
C.II.6. Liabilities – controlled or controlling entity	134	2,007	2,367
<b>C.II.8. Other liabilities</b>	<b>136</b>	<b>19,841</b>	<b>17,546</b>
C.II.8.1. Liabilities to partners	137	1,068	1,466
C.II.8.3. Liabilities to employees	139	5,828	5,218
C.II.8.4. Liabilities arising from social security and health insurance	140	2,520	2,152
C.II.8.5. Due to government – taxes and subsidies	141	1,770	1,567
C.II.8.6. Unbilled deliveries	142	8,437	6,911
C.II.8.7. Miscellaneous liabilities	143	218	232
<b>D. Accruals and deferred income</b>	<b>147</b>	<b>4,495</b>	<b>1,513</b>
D.1. Accruals	148	673	122
D.2. Deferred income	149	3,822	1,391

<b>INCOME STATEMENT</b>		<b>Burza cenných papírů Praha, a.s.</b>	
<b>By category</b>		<b>Business Identification</b>	
for the year ended 31 December 2018 (in CZK thousands)		<b>Number: 471 156 29</b>	
		Rybná 14/682 110 05 Praha 1	
		<b>Year ended 31/ 12/ 2018</b>	<b>Year ended 31/ 12/ 2017</b>
I. Revenue from sale of finished products and services	001	198,845	186,664
A. Production-related consumption	003	67,329	59,278
A.2. Consumption of material and energy	005	1,253	2,056
A.3. Services	006	66,076	57,222
D. Personnel expenses	009	58,183	53,814
D.1. Wages and salaries	010	43,493	40,387
D.2. Social security and health insurance costs and other costs	011	14,690	13,427
D.2.1 Social security and health insurance costs	012	12,363	11,198
D.2.2. Other costs	013	2,327	2,229
E. Value adjustments in respect of operating activities	014	2,501	3,327
E.1. Value adjustments in respect of intangible and tangible fixed assets	015	2,594	3,329
E.1.1. Value adjustments in respect of intangible and tangible fixed assets - permanent	016	2,594	3,329
E.3. Value adjustments in respect of receivables	019	(93)	(2)
III. Other operating income	020	74	53
III.1. Income from sale of fixed assets	021	20	53
III.3. Miscellaneous operating income	023	54	0
F. Other operating expenses	024	1,100	2,741
F.3. Taxes and charges relating to operations	027	14	124
F.4. Provisions relating to operations and prepaid expenses (specific-purpose expenses)	028	(543)	1,072
F.5. Miscellaneous operating expenses	029	1,629	1,545
<b>* Profit or loss on operating activities (+/-)</b>	<b>030</b>	<b>69,806</b>	<b>67,557</b>
IV. Income from long-term investments - interests	031	162,600	0
IV.1. Income from interests in subsidiaries or parents	032	162,600	0
VI. Interest receivable and similar income	039	40	21
VI.1. Interest receivable and similar income – subsidiaries or parents	040	0	21
VI.2. Other interest receivable and similar income	041	40	0
J. Interest payable and similar expense	043	0	26
J.1. Interest payable and similar expense – subsidiaries or parents	044	0	26
VII. Other finance income	046	473	138
K. Other finance cost	047	385	528
<b>* Profit or loss on financial activities (+/-)</b>	<b>048</b>	<b>162,728</b>	<b>(395)</b>
<b>** Profit or loss before taxation (+/-)</b>	<b>049</b>	<b>232,534</b>	<b>67,162</b>
L. Income tax	050	14,137	13,435
L.1. Income tax due	051	14,086	13,782
L.2. Income tax deferred (+/-)	052	51	(347)
<b>** Profit or loss after taxation (+/-)</b>	<b>053</b>	<b>218,397</b>	<b>53,727</b>
<b>*** Profit or loss for the year (+/-)</b>	<b>055</b>	<b>218,397</b>	<b>53,727</b>
Net turnover	056	362,031	186,876

<b>CASH FLOW STATEMENT</b>		<b>Burza cenných papírů Praha, a.s.</b> <b>Business Identification</b> <b>Number: 471 156 29</b>	
for the year ended 31 December 2018 (in CZK thousands)		Rybná 14/682 110 05 Praha 1	
		Year ended 31/ 12/ 2018	Year ended 31/ 12/ 2017
<b>P. Cash and cash equivalents at beginning of year</b>	<b>001</b>	<b>23,764</b>	<b>179,433</b>
<b>Cash flows from operating activities</b>	<b>002</b>		
Z. Profit or loss on ordinary activities before taxation (+/-)	003	232,534	67,162
A.1. Adjustments to reconcile profit or loss to net cash provided by or used in operating activities	004	(160,542)	4,694
A.1.1. Depreciation and amortization of fixed assets and write-off of receivables	005	2,594	3,328
A.1.2. Change in allowances	006	(93)	(2)
A.1.3. Change in provisions	007	(543)	1,072
A.1.4. Foreign exchange differences	008	160	291
A.1.5. (Gain)/Loss on disposal of fixed assets	009	(20)	0
A.1.6. Interest expense and interest income	010	(40)	5
A.1.7. Other non-cash movements (e.g. revaluation at fair value to profit or loss, dividends received)	011	(162,600)	0
<b>A.* Net cash from operating activities before taxation, changes in working capital and extraordinary items</b>	<b>012</b>	<b>71,992</b>	<b>71,857</b>
A.2. Change in non-cash components of working capital	013	(2,324)	3,454
A.2.2. Change in trade receivables	015	(552)	353
A.2.3. Change in other receivables and in prepaid expenses and unbilled revenue	016	(8,625)	596
A.2.4. Change in trade payables	017	1,941	1,223
A.2.5. Change in other payables, and in accruals and deferred income	018	4,912	1,282
<b>A.** Net cash from operating activities before taxation, interest paid and extraordinary items</b>	<b>019</b>	<b>69,668</b>	<b>75,311</b>
A.3.1. Interest paid	020	0	(26)
A.4.1. Income tax paid	021	(14,103)	(15,463)
<b>A.*** Net cash provided by (used in) operating activities</b>	<b>022</b>	<b>55,565</b>	<b>59,821</b>
<b>Cash flows from investing activities</b>	<b>023</b>		
B.1.1. Purchase of fixed assets	024	(5,422)	(1,434)
B.2.1. Proceeds from sale of fixed assets	025	20	0
B.4.1. Interest received	027	40	21
B.5.1. Dividends received	028	162,600	0
<b>B.*** Net cash provided by (used in) investing activities</b>	<b>029</b>	<b>157,238</b>	<b>(1,413)</b>
<b>Cash flows from financing activities</b>	<b>030</b>		
C.2. Effect of other changes in equity on cash	032	(53,784)	(214,076)
C.2.2. Profit shares paid	034	(53,784)	(214,076)
<b>C.*** Net cash provided by (used in) financing activities</b>	<b>036</b>	<b>(53,784)</b>	<b>(214,076)</b>
<b>F. Net increase (decrease) in cash</b>	<b>037</b>	<b>159,019</b>	<b>(155,668)</b>
<b>R. Cash and cash equivalents at end of year</b>	<b>038</b>	<b>182,783</b>	<b>23,764</b>

<b>STATEMENT OF CHANGES IN EQUITY</b>		<b>Burza cenných papírů Praha, a.s.</b>				
		<b>Business Identification Number:</b>				
		<b>471 15 629</b>				
for the year ended 31 December 2018 (in CZK thousands)		Rybná 14/682 110 05 Praha 1				
	<b>Registered capital</b>	<b>Own shares (own ownership interests)</b>	<b>Reserves from profit</b>	<b>Retained earnings</b>	<b>Profit (loss) for the year (+/-)</b>	<b>Total equity</b>
<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>
Dividends paid	0	0	0	(985)	(213,091)	(214,076)
Purchase of own shares	0	(550)	0	0	0	(550)
Profit (loss) for the year (+/-)	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>
Dividends paid	0	0	0	(57)	(53,727)	(53,784)
Purchase of own shares	0	(550)	0	0	0	0
Profit (loss) for the year (+/-)	0	0	0	0	218,397	218,397
<b>Balance at 31/ 12/ 2018</b>	<b>100,721</b>	<b>(550)</b>	<b>0</b>	<b>99</b>	<b>218,397</b>	<b>318,667</b>



## **1 GENERAL INFORMATION**

### **1.1 1.1 Incorporation and description of the 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 organize the trading of financial instruments in compliance with generally binding legal regulations, the rules and regulations of the stock exchange and the authorization 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.

In June 2018 CEESEG AG purchased the Moravia Bank, a.s.’s ownership interest of 0.189%. As a result, an overall ownership interest of CEESEG AG increased to 99.543%. The number of current shareholders is four.

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**

No changes were made to the Commercial Register entry in 2018.

The Company 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 BCPP Group identification

### Structure as at 31 December 2018



From 8 December 2008, the majority owner of Burza cenných papírů Praha, a.s. is CEESEG AG, holding 99.543% of the Company's shares as 31 December 2018 (2017: 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 license to organize 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 license 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 license 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 21 December 2018, the license came into force to pursue the activities of a central depository under the harmonized European regulation implemented by the CSDR. From this day, the activities of the CDCP and its participants are also subject to the provisions of the Act on Business Activities on the Capital Market, as amended.

The basic business activities of the central depository 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 labor-law relations, becoming the universal legal successor of the dissolved companies.

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.**

Energetická burza Praha, with its registered office at Rybná 682/14 Praha 1, was established by means of a Founding Contract on 8 January 2007. On 1 July 2009, Energetická burza Praha converted into joint-stock company POWER EXCHANGE CENTRAL EUROPE, a.s. (“PXE”).

This company obtained a license from the Czech National Bank (the “CNB”) to organize commodity derivatives market on 4 February 2009. Pursuant to Amendment to Act No. 230/2008 Coll., on Business Activities on the Capital Market, adopted in 2008, commodity derivatives that are regularly traded in an organized market are considered investment instruments and, consequently, any entity organizing a market with these instruments is subject to the CNB’s supervision and requires the CNB’s license. The license allows PXE to organize a derivatives market with physical settlement but also to list products with financial settlement.

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

**1.5 Exchange Chamber and Supervisory Board as at 31 December 2018**

	<b>Position</b>	<b>Name</b>
<b>Exchange Chamber</b>	Chairman	Petr Kobic
	Vice-chairman	Christoph Boschan
	Member	Ludwig Niessen
	Member	Helena Čacká
	Member	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 books of accounts maintained 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 provisions of Act No. 563/1991 Coll. on Accounting, as amended, for entities that are entrepreneurs using the double-entry bookkeeping system.

All figures are presented in thousands of Czech crowns ("CZK thousands"), 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.

#### Explanation Added for Translation into English

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

### 2.2 Tangible fixed assets

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

Purchased tangible fixed assets are recorded at their acquisition cost, which includes purchase price and other costs directly tied to the acquisition process.

Tangible assets with a useful life of more than one year and a cost not exceeding CZK 30 thousand per unit are not disclosed in the balance sheet, but are expensed in the year of their acquisition and carried in a subsidiary ledger.

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
Low-value tangible assets	2 - 3 years

Establishment of allowances

When the carrying amount of an asset exceeds its estimated recoverable amount, the asset is written down to its recoverable amount through an allowance.

Repair and maintenance expenditures relating to tangible fixed assets are expensed as incurred. Technical improvement of tangible fixed assets is capitalized.

**2.3 Intangible fixed assets**

Intangible assets with a useful life of more than one year and a cost exceeding CZK 40 thousand per unit are treated as intangible fixed assets.

Purchased intangible fixed assets are recorded at their acquisition cost, which includes purchase price and other costs directly tied to the acquisition process.

Intangible assets with a useful life of more than one year and a cost not exceeding CZK 40 thousand per unit are not disclosed in the balance sheet, but are expensed in the year of their acquisition and carried in a subsidiary ledger.

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

<b>Asset category</b>	<b>Accounting amortization</b>
Software	3 years
Other intangible fixed assets	3 years
Low-value intangible assets	2 - 3 years

Establishment of allowances

When the carrying amount of an asset exceeds its estimated recoverable amount, the asset is written down to its recoverable amount through an allowance.

**2.4 Investments in subsidiaries and associates**

Investments in 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 an allowance 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 held for 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 held for trading.

Debt securities that management has the intent and ability to hold to maturity are classified as held-to-maturity securities 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 recognized in current assets.

Securities and investments are initially recorded at cost, including transaction costs. Held-to-maturity securities are subsequently measured at amortized cost. Other securities are measured at fair value. The fair value is determined as the market value of the securities as at the balance sheet date. Measurement of non-publicly 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 securities held for trading are presented in the income statement in the period in which they occur.

An allowance is established when the carrying amount of held-to-maturity securities exceeds their estimated recoverable amount.

## **2.6 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, valuables and cash at bank, including overdrawn amounts of current or overdraft facilities.

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

## **2.7 Foreign currency translation**

Transactions denominated in a foreign currency are translated and recorded at the prevailing exchange rate published by the Czech National Bank 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 an allowance against doubtful amounts. An allowance against doubtful receivables is created on the basis of an ageing analysis and individual assessment of the debtor's solvency. Receivables from related parties are not provided for. Bad debts are written off after the bankruptcy proceedings of the debtor.

## **2.9 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.

## **2.10 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.

### **2.11 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.

### **2.12 Own shares (own ownership interests)**

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 a third party.

Repurchased own shares are stated at cost as a deduction from the registered capital.

### **2.13 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, 3.9.7, and 3.19.

### **2.14 Revenue recognition**

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

### **2.15 Leases**

The Company uses assets acquired under operating leases. The costs of assets held under operating leases are not capitalized as part of the cost of the fixed assets. Lease payments are recognized as an expense on a straight-line basis over the lease term. Future lease payments not yet due are disclosed in the notes but not recognized in the balance sheet.

### **2.16 Supplementary retirement insurance and life insurance**

The Company makes contributions on behalf of its employees to supplementary pension schemes operated by independent pension funds and to employees' life insurance schemes.

### **2.17 Group registration for VAT**

The companies Burza cenných papírů Praha, a.s., POWER EXCHANGE CENTRAL EUROPE, a.s., and Centrální depozitář cenných papírů, a.s. (henceforth the "VAT 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 VAT Group as at 1 January 2011. All the companies within the VAT Group have a joint tax identification number.

As at 1 January 2018, the VAT Group used an advance VAT coefficient of 100% (1 January 2017: 100%) to claim VAT deduction on input for the whole VAT Group for 2018. In the VAT return for December 2018 the Company calculated a settlement coefficient for 2018, amounting to 100% and representing an advance VAT coefficient for 2019.

The VAT return is submitted for the VAT Group by its representing member, i.e. BCPP. Other VAT Group members recognize parts of their own tax liability, or VAT excess, falling on them and recognize a payable to, or a receivable from, BCPP in their books of accounts.

#### **2.18 Use of estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. The Company management believes that the applied estimates and assumptions will not significantly differ from actual figures in subsequent accounting periods.

#### **2.19 Subsequent events**

The effects of events that occurred between the balance sheet date and the date of the financial statements preparation are recognized in the financial statements provided these events provide additional evidence about conditions that existed at the date of the balance sheet.

If material events reflecting the facts occurring after the balance sheet date happened between the balance sheet date and the date of the financial statements preparation the consequences of these events are disclosed in the notes to the financial statements but not recognized in the financial statements.

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

The Company did not change any accounting policies and procedures in 2018 or 2017.



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

(in CZK thousands)			
<b>Acquisition cost</b>	<b>Software</b>	<b>Other intangible FA</b>	<b>Total</b>
<b>Balance as at 1 January 2017</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 December 2017</b>	<b>41,963</b>	<b>3,900</b>	<b>45,863</b>
Additions	1,317	0	1,317
Disposals	0	0	0
<b>Balance as at 31 December 2018</b>	<b>43,280</b>	<b>3,900</b>	<b>47,180</b>

(in CZK thousands)			
<b>Accumulated amortization</b>	<b>Software</b>	<b>Other intangible FA</b>	<b>Total</b>
<b>Balance as at 1 January 2017</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 December 2017</b>	<b>41,869</b>	<b>3,900</b>	<b>45,769</b>
Additions	184	0	184
Disposals	0	0	0
<b>Balance as at 31 December 2018</b>	<b>42,053</b>	<b>3,900</b>	<b>45,953</b>

(in CZK thousands)			
<b>Net book value</b>	<b>Software</b>	<b>Other intangible FA</b>	<b>Total</b>
Balance as at 1 January 2017	271	0	271
Balance as at 31 December 2017	94	0	94
Balance as at 31 December 2018	1,227	0	1,227

In 2018, additions to intangible fixed assets in the amount of CZK 1,317 thousand (2017: CZK 0 thousand) are represented by the purchase of security software for information system security solution and by the creation of database store.

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

(in CZK thousands)	
	<b>Amortization</b>
2018	184
2017	177

In 2018 and 2017 no allowances against intangible fixed assets were created.

Intangible fixed assets of CZK 797 thousand (2017: CZK 787 thousand) were carried in a subsidiary ledger.

**3.1.2 Tangible fixed assets**

	(in CZK thousands)			
Acquisition cost	Computer equipment	Furniture and fixtures	Low-value tangible assets	Total
<b>Balance as at 1 January 2017</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 December 2017</b>	<b>23,405</b>	<b>7,024</b>	<b>6,982</b>	<b>37,411</b>
Additions	3,358	588	173	4,118
Disposals	(4,847)	(1,615)	(3,504)	(9,967)
<b>Balance as at 31 December 2018</b>	<b>21,916</b>	<b>5,996</b>	<b>3,650</b>	<b>31,562</b>

	(in CZK thousands)			
Accumulated depreciation	Computer equipment	Furniture and fixtures	Low-value tangible assets	Total
<b>Balance as at 1 January 2017</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 December 2017</b>	<b>21,043</b>	<b>6,346</b>	<b>6,745</b>	<b>34,134</b>
Additions	1,866	395	149	2,410
Disposals	(4,848)	(1,616)	(3,504)	(9,968)
<b>Balance as at 31 December 2018</b>	<b>18,061</b>	<b>5,125</b>	<b>3,310</b>	<b>26,576</b>

	(in CZK thousands)			
Net book value	Computer equipment	Furniture and fixtures	Low-value tangible assets	Total
Balance as at 1 January 2017	3,510	1,364	133	5,007
Balance as at 31 December 2017	2,362	678	237	3,277
Balance as at 31 December 2018	3,855	871	260	4,986

In 2018, additions to tangible fixed assets in the amount of CZK 4,118 thousand (2017: CZK 1,422 thousand) are represented by the acquisition of computer equipment in connection with the renewal of outdated computer equipment.

In 2017 the Company paid CZK 13 thousand on advances for tangible fixed assets; these assets were put into use in 2018.

Disposals of tangible fixed assets amounted to CZK 9,968 thousand in 2018 (2017: CZK 0 thousand). The disposals represented disposal of obsolete computers and servers, furniture and small tangible assets.

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

	(in CZK thousands)
	<b>Depreciation</b>
2018	2,410
2017	3,152

The total value of small tangible assets, which are not reflected in the accompanying balance sheet and are carried in a subsidiary ledger, was CZK 5,070 thousand as at 31 December 2018 (2017: CZK 5,502 thousand).

In 2018 and 2017 no allowances against tangible fixed assets were created, and none of the assets is pledged as collateral.

### 3.2 Leased assets

As at 31 December 2018, the Company has cars under operating leases. The aggregate amount of lease payments, excluding VAT, made in 2018 was CZK 2,244 thousand (2017: CZK 1,807 thousand). The Company resides in the rented premises. Total lease payments relating to these premises (including back office premises) were CZK 8,217 thousand (2017: CZK 7,665 thousand).

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

	(in CZK thousands)	
	Balance as at 31 December 2018	Balance as at 31 December 2017
Due within one year	9,085	11,380
Due after one year but within five years	39,098	40,753
More than five years	10,472	22,016
<b>Total</b>	<b>58,655</b>	<b>74,149</b>

### 3.3 Long-term investments

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

	(in CZK thousands))		
Name and legal form	Centrální depozitář cenných papírů, a.s. <sup>1)</sup>	POWER EXCHANGE CENTRAL EUROPE, a.s.	Energy Clearing Counterparty, a.s. <sup>2)</sup>
Registered office	Praha 1, Rybná 682/14	Praha 1, Rybná 682/14	Praha 1, Rybná 682/14
Percentage of ownership	100.00	33.33	100.00
Total assets	471,101	65,748	122,801
Equity	397,554	52,024	9,413
Basic capital and capital funds	100,000	30,000	8,180
Reserves from profit	150,000	0	0
Retained earnings/ Accumulated loss	90	4,305	1,088
Profit/loss for the current year	147,464	17,719	145
Acquisition cost of share / interest	90,100	10,000	20,346
Dividends paid during the year	160,300	6,900	0

<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 CZK 3,000 thousand, the registered capital of CCC of CZK 2,000 thousand and other capital funds of CCC of CZK 7,166 thousand have become an integral part of the company's long-term investments. Energy Clearing Counterparty offset these amounts against accumulated losses.

	(in CZK thousands)			
<b>Acquisition cost</b>	<b>Balance as at 31 December 2018</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance as at 31 December 2017</b>
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.	20,346	0	0	20,346
<b>Total</b>	<b>120,446</b>	<b>0</b>	<b>0</b>	<b>120,446</b>

	(in CZK thousands)			
<b>Allowance</b>	<b>Balance as at 31 December 2018</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance as at 31 December 2017</b>
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 CZK thousands)			
<b>Net value</b>	<b>Balance as at 31 December 2018</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance as at 31 December 2017</b>
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>

The registered capital of CDCP amounts to CZK 100,000 thousand (2017: CZK 100 000 thousand) and that of EnCC amounts to CZK 2,000 thousand (2017: CZK 2,000 thousand). The registered capital of PXE amounts to CZK 30,000 thousand (2017: CZK 30 000 thousand) and the Company has an ownership interest of CZK 10,000 thousand (2017: CZK 10,000 thousand) in PXE.

As at 31 December 2018, CDCP reports equity of CZK 397,554 thousand (2017: CZK 410,390 thousand). In 2018 it generated a profit after tax of CZK 147,464 thousand (2017: CZK 128,123 thousand). Based on the decision of its sole shareholder, the shares on profits of CZK 160,300 thousand were paid in 2018 (2017: CZK 0 thousand).

As at 31 December 2018, PXE reports equity of CZK 52,024 thousand (2017: CZK 41,204 thousand). In 2018 it generated a profit after tax of CZK 17,719 thousand (2017: CZK 6,989 thousand). Based on the decision of its sole shareholder, the shares on profits of CZK 6,900 thousand were paid in 2018 (2017: CZK 0 thousand).

As at 31 December 2018, EnCC reports equity of CZK 9,413 thousand (2017: CZK 9,268 thousand). In 2018 it generated a profit of CZK 145 thousand (2017: CZK 164 thousand).

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

### 3.4 Short-term financial assets

	(in CZK thousands)	
Short-term financial assets	Balance as at 31 December 2018	Balance as at 31 December 2017
<b>Cash, of which:</b>	<b>36</b>	<b>35</b>
- cash in hand	33	32
- valuables	3	3
<b>Bank accounts, of which:</b>	<b>182,747</b>	<b>23,729</b>
- current accounts	182,747	23,729
<b>Total short-term financial assets</b>	<b>182,783</b>	<b>23,764</b>

### 3.5 Receivables

#### 3.5.1 Trade receivables

	(in CZK thousands)	
	Balance as at 31 December 2018	Balance as at 31 December 2017
<b>Short-term</b>		
- trade receivables (customers)	10,818	10,338
- other trade receivables	0	0
<b>Total trade receivables</b>	<b>10,818</b>	<b>10,338</b>
- allowances	(845)	(939)
<b>Total</b>	<b>9,973</b>	<b>9,399</b>

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

		(in CZK thousands)						
Year	Category	Due	Past due date				2 and more years	Total
			1 – 90 days	91 – 180 days	181 – 365 days	1 - 2 years		
<b>2018</b>	Short-term	9,973	0	0	0	0	845	<b>10,818</b>
	Allowances	0	0	0	0	0	(845)	<b>(845)</b>
	<b>Net</b>	<b>9,973</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,973</b>
<b>2017</b>	Short-term	9,399	0	0	0	0	939	<b>10,338</b>
	Allowances	0	0	0	0	0	(939)	<b>(939)</b>
	<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>

Unpaid trade receivables are not secured. The Company has receivables which are more than five years after maturity amounting to CZK 845 thousand (2017: CZK 939 thousand). These receivables are covered by allowances of 100%.

#### 3.5.3 Allowances against receivables

	(in CZK thousands)	
Allowances against receivables	2018	2017
Balance as at 1 January	939	941
Release	(93)	(2)
<b>Balance as at 31 December</b>	<b>845</b>	<b>939</b>

### 3.5.4 Due from government - tax receivables

	(in CZK thousands)	
	Balance as at 31 December 2018	Balance as at 31 December 2017
Value added tax	3,222	3,722
<b>Total</b>	<b>3,222</b>	<b>3,722</b>

In November and December 2018, the VAT clearing in the VAT Group amounted to CZK 2,850 thousand (2017: CZK 3,441 thousand). The receivable was further divided among the VAT Group members (Note 3.5.6 and 3.9.7). The item also includes the right to VAT deduction of CZK 372 thousand (2017: CZK 280 thousand) that will be exercised in January 2019. It concerns payments received in 2018 where the date of making taxable supplies was determined for January 2019.

### 3.5.5 Unbilled revenue

	(in CZK thousands)	
Name of the company	Balance as at 31 December 2018	Balance as at 31 December 2017
Not invoiced estimates - Hygienický servis	19	14
Not invoiced stock exchange information from Wiener Börse AG	20,428	18,005
Not invoiced lease-related services	215	27
<b>Total unbilled revenue</b>	<b>20,662</b>	<b>18,046</b>

The amount of unbilled revenue is mainly comprised of not-invoiced services related to selling of exchange information in the amount of CZK 20,428 thousand (2017: CZK 18,005 thousand).

### 3.5.6 Receivables from group companies

	(in CZK thousands)	
Name of the company	Balance as at 31 December 2018	Balance as at 31 December 2017
<b>Short-term trade receivables</b>		
Centrální depozitář cenných papírů, a.s.	6,538	7,025
POWER EXCHANGE CENTRAL EUROPE, a.s.	192	18
Energy Clearing Counterparty, a.s.	2	2
Wiener Börse AG (fellow subsidiary)	116	134
CEESE AG (parent company)	60	62
<b>Total</b>	<b>6,908</b>	<b>7,241</b>

	(in CZK thousands)	
Name of the company	Balance as at 31 December 2018	Balance as at 31 December 2017
<b>Unbilled revenue</b>		
Centrální depozitář cenných papírů, a.s.	16	37
POWER EXCHANGE CENTRAL EUROPE, a.s.	2	2
Energy Clearing Counterparty, a.s.	1	2
Wiener Börse AG (fellow subsidiary)	20,428	18,005
<b>Total</b>	<b>20,447</b>	<b>18,046</b>

No receivables from group companies are overdue.

### 3.6 Prepaid expenses and accrued income

	(in CZK thousands)	
	Balance as at 31 December 2018	Balance as at 31 December 2017
IT	6,159	3,291
Rental, incl. related services	6,627	3,214
Insurance	118	116
Other	511	487
<b>Prepaid expenses</b>	<b>13,415</b>	<b>7,108</b>
<b>Total prepaid expenses and accrued income</b>	<b>13,415</b>	<b>7,108</b>

### 3.7 Equity

#### 3.7.1 Registered capital

The Company's registered capital recorded in the Commercial Register as at 31 December 2018 of CZK 100,721 thousand (2017: CZK 100,721 thousand) is divided into 265,056 registered shares with a nominal value of CZK 380 per share (2017: CZK 380).

#### 3.7.2 Own shares

In 2017, the Company purchased 110 of own shares at acquisition price of CZK 550 thousand.

#### 3.7.3 Profit for the year 2017 distribution and planned distribution of profit for the year 2018

Profit for 2017 of CZK 53,727 thousand was approved and distributed based on the decision of the General Meeting held on 24 April 2018. The total profit distribution was CZK 53,784 thousand. For the distribution of profits, retained profits of CZK 57 thousand were used.

The Company plans to distribute profit for 2018 in the amount of CZK 218,397 thousand as profit share.

### 3.8 Provisions

	(in CZK thousands)	
	Provision for corporate income tax	Other provisions
<b>Balance as at 1 January 2018</b>	<b>407</b>	<b>1,072</b>
Utilization	(407)	(1,072)
Additions	390	530
<b>Balance as at 31 December 2018</b>	<b>390</b>	<b>530</b>

	(in CZK thousands)	
	2018	2017
Provision for corporate income tax	390	407
Other provisions	530	1,072
<b>Balance as at 31 December</b>	<b>920</b>	<b>1,479</b>

In 2018, the Company paid advances for corporate income tax of CZK 14,356 thousand (2017: CZK 14,181 thousand). The tax liability for 2018 amounted to CZK 14,746 thousand (2017: CZK 14,588 thousand). The final provision is CZK 390 thousand (2017: CZK 407 thousand).

**3.9 Liabilities****3.9.1 Trade payables**

	(in CZK thousands)	
	Balance as at 31 December 2018	Balance as at 31 December 2017
<b>Short-term trade payables and received advances</b>		
Short-term		
- trade payables (suppliers)	7,356	5,466
<b>Total trade payables</b>	<b>7,356</b>	<b>5,466</b>

None of trade payables is past due or secured.

**3.9.2 Liabilities – controlled or controlling entity**

As at 31 December 2018 the Company had a liability to EnCC of CZK 2,007 thousand (2017: CZK 2,367 thousand), due to signed agreement on provision of compensation payments.

**3.9.3 Liabilities to employees**

As at 31 December 2018 the Company had liabilities to employees of CZK 5,828 thousand (2017: CZK 5,218 thousand).

**3.9.4 Liabilities arising from social security and health insurance**

As at 31 December 2018 social security and health insurance liabilities amounted to CZK 2,520 thousand (2017: CZK 2,152 thousand), of which CZK 1,383 thousand were social security liabilities and CZK 1,137 thousand were health insurance liabilities.

None of these liabilities is past due.

**3.9.5 Due to government – taxes and subsidies**

	(in CZK thousands)	
	Balance as at 31 December 2018	Balance as at 31 December 2017
Other direct taxes	1,770	1,567
<b>Total</b>	<b>1,770</b>	<b>1,567</b>

As at 31 December 2018 the Company had a payable arising from the taxation of employees' wages of CZK 1,770 thousand. None of these liabilities are past due.

**3.9.6 Unbilled deliveries**

Unbilled deliveries of CZK 8,437 thousand (2017: CZK 6,911 thousand) primarily include estimated employee bonuses of CZK 8,264 thousand (2017: CZK 6,787 thousand), including social security and health insurance estimates.



**3.9.7 Liabilities to group companies**

(in CZK thousands)		
Name of the company	Balance as at 31 December 2018	Balance as at 31 December 2017
<b>Short-term trade payables</b>		
Centrální depozitář cenných papírů, a.s.	15	39
Wiener Börse AG	273	312
<b>Total</b>	<b>288</b>	<b>351</b>

(in CZK thousands)		
Name of the company	Balance as at 31 December 2018	Balance as at 31 December 2017
<b>Liabilities – controlled or controlling entity</b>		
Energy Clearing Counterparty, a.s.	2,007	2,367
<b>Total</b>	<b>2,007</b>	<b>2,367</b>

(in CZK thousands)		
Name of the company	Balance as at 31 December 2018	Balance as at 31 December 2017
<b>Liabilities to partners</b>		
Centrální depozitář cenných papírů, a.s.	798	914
POWER EXCHANGE CENTRAL EUROPE, a.s.	259	30
Energy Clearing Counterparty, a.s.	11	522
<b>Total</b>	<b>1,068</b>	<b>1,466</b>

Liabilities to partners comprise mainly payables relating to VAT.

(in CZK thousands)		
Name of the company	Balance as at 31 December 2018	Balance as at 31 December 2017
<b>Unbilled deliveries</b>		
Centrální depozitář cenných papírů, a.s.	99	0
POWER EXCHANGE CENTRAL EUROPE, a.s.	14	0
Energy Clearing Counterparty, a.s.	2	0
<b>Total</b>	<b>115</b>	<b>0</b>

(in CZK thousands)		
Name of the company	Balance as at 31 December 2018	Balance as at 31 December 2017
<b>Deferred income</b>		
Centrální depozitář cenných papírů, a.s.	3,287	1,171
POWER EXCHANGE CENTRAL EUROPE, a.s.	466	195
Energy Clearing Counterparty, a.s.	69	24
<b>Total</b>	<b>3,822</b>	<b>1,390</b>

**3.10 Accruals and deferred income**

	Balance as at 31 December 2018	Balance as at 31 December 2017
<b>Accruals</b>	<b>673</b>	<b>122</b>
Other	673	122
<b>Deferred income</b>	<b>3,822</b>	<b>1,391</b>
Rental and related services	3,822	1,391
<b>Accruals and deferred income</b>	<b>4,495</b>	<b>1,513</b>

### 3.11 Deferred tax

The deferred tax asset is comprised of the following items arisen from temporary differences:

	(in CZK thousands)	
<b>Deferred tax</b>	<b>Balance as at 31 December 2018</b>	<b>Balance as at 31 December 2017</b>
Difference between net book value of fixed assets for accounting and tax purposes	(188)	(170)
Provisions	101	204
Social and health insurance	398	327
Deferred tax asset (+) / liability (-)	311	361
<b>Revenue (+) / expense (-) from change of deferred tax asset</b>	<b>(51)</b>	<b>347</b>

The deferred tax as at 31 December 2018 is calculated at the tax rate of 19% (the tax rate for 2018 and later) depending on the period in which the reversal of temporary differences is expected.

The deferred tax as at 31 December 2018 was calculated at the tax rate of 19%.

### 3.12 Income tax on ordinary activity

Reconciliation of income tax expense and the profit reported in the income statement is as follows:

	(in CZK thousands)	
	<b>2018</b>	<b>2017</b>
Profit before tax	232,534	67,162
Theoretical tax at a tax rate of 19% (2017: 19%)	44,181	12,761
Tax effect of tax non-deductible expenses	1,542	1,828
Tax effect of income not subject to tax	(30,977)	0
Refund of tax of prior years	(660)	(807)
<b>Current tax</b>	<b>14,086</b>	<b>13,782</b>
Change in deferred tax	51	(347)
<b>Total income tax on ordinary activity</b>	<b>14,137</b>	<b>13,435</b>
Income tax prepayment made	14,356	14,181
Liability arising from income tax (Income tax provision)	(390)	407

**3.13 Revenues on ordinary activity by principal activity**

(in CZK thousands)						
	2018			2017		
	Domestic	Foreign	Total	Domestic	Foreign	Total
<b>Stock exchange fees</b>	<b>39,161</b>	<b>7,233</b>	<b>46,394</b>	<b>35,660</b>	<b>6,901</b>	<b>42,561</b>
Annual trading fees	5,980	1,878	7,858	5,980	1,840	7,820
Listing fees	11,787	2,929	14,716	11,818	2,355	14,173
Trading fees	21,394	2,426	23,820	17,862	2,706	20,568
Services relating to settlement	62,185	0	62,185	61,260	0	61,260
Stock exchange information	51	40,340	40,391	9	36,411	36,420
Services for PXE	4,768	0	4,768	4,635	0	4,635
Services for CDCP - IT	37,353	0	37,353	34,073	0	34,073
Other	7,754	0	7,754	7,715	0	7,715
<b>Total revenues</b>	<b>151,272</b>	<b>47,573</b>	<b>198,845</b>	<b>143,352</b>	<b>43,312</b>	<b>186,664</b>

**3.14 Cost of services**

(in CZK thousands)		
	2018	2017
Repairs and maintenance	850	930
Travel expenses	916	873
Representation costs	428	682
Rental and services	12,393	12,977
Operating leases of cars	2,244	1,807
Advisory and legal services	11,969	8,118
Audit	1,725	1,725
Promotion	6,588	2,447
IT services	17,475	15,579
Training, workshops, conferences	786	1,092
Other services	10,702	10,992
<b>Total services</b>	<b>66,076</b>	<b>57,222</b>

**3.15 Other operating income**

(in CZK thousands)		
	2018	2017
Income from written-off receivables	53	0
Income from sale of fixed assets	20	0
Other operating income	1	53
<b>Total other operating income</b>	<b>74</b>	<b>53</b>

**3.16 Miscellaneous operating expenses**

(in CZK thousands)		
	2018	2017
Gifts	340	40
Insurance premiums	379	449
Write-off of receivables	93	0
Membership payments to associations	21	21
Other operating expenses	796	1,035
<b>Total miscellaneous operating expenses</b>	<b>1,629</b>	<b>1,545</b>

### 3.17 Finance income

	(in CZK thousands)	
	2018	2017
<b>Income from long-term investments - interests</b>	<b>162,600</b>	<b>0</b>
- dividends received from subsidiaries (CDCP)	160,300	0
- dividends received from associates (PXE)	2,300	0
<b>Other finance income</b>	<b>473</b>	<b>138</b>
- foreign exchange gains	473	138
<b>Interest receivable and similar income</b>	<b>40</b>	<b>21</b>
- bank accounts	40	0
- loans to subsidiaries	0	21
<b>Total finance income</b>	<b>163,113</b>	<b>159</b>

### 3.18 Finance cost

	(in CZK thousands)	
	2018	2017
<b>Other finance cost</b>	<b>385</b>	<b>528</b>
- foreign exchange losses	280	430
- other bank fees	92	81
- bank guarantees	13	18
<b>Interest payable and similar expense</b>	<b>0</b>	<b>26</b>
- on loans	0	26
<b>Total finance cost</b>	<b>385</b>	<b>554</b>

### 3.19 Related party transactions

#### 3.19.1 Revenues from related party transactions

2018				(in CZK thousands)
Entity	Relation to the Company	Sales of services	Finance income	Total
Centrální depozitář cenných papírů, a.s.	subsidiary	90,975	160,318	251,293
Energy Clearing Counterparty, a.s.	subsidiary	128	0	128
POWER EXCHANGE CENTRAL EUROPE, a.s.	associate	5,767	2,302	8,069
CEESEG AG	parent company	60	0	60
Wiener Börse AG	fellow subsidiary	40,280	32	40,312
<b>Total revenues</b>		<b>137,210</b>	<b>162,652</b>	<b>299,862</b>

2017				(in CZK thousands)
Entity	Relation to the Company	Sales of services	Finance 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	fellow subsidiary	36,371	2	36,373
<b>Total revenues</b>		<b>130,484</b>	<b>43</b>	<b>130,527</b>

In addition to technical and other support services under contracts signed in compliance with the analysis of transfer prices, the Company provides to related parties other services as follows:

- cooperation in selling information and the PX index;
- rent of non-residential premises including services related to rent;
- rent of phone lines;
- interest-bearing borrowings.

Finance income also includes the disbursements of a profit share, see Note 3.17.

### 3.19.2 Costs incurred in related party transactions

2018						(in CZK thousands)
Entity	Relation to the Company	Services	Operating expenses	Finance cost	Total	
Centrální depozitář cenných papírů, a.s.	subsidiary	5,472	0	4	5,476	
POWER EXCHANGE CENTRAL EUROPE, a.s.	associate	0	0	1	1	
Energy Clearing Counterparty, a.s.	subsidiary	2,007	0	0	2,007	
CEESEG AG	parent company	0	34	0	34	
Wiener Börse AG	fellow subsidiary	9,144	0	219	9,363	
<b>Total cost</b>		<b>16,623</b>	<b>34</b>	<b>224</b>	<b>16,881</b>	

2017						(in CZK thousands)
Entity	Relation to the Company	Services	Operating expenses	Finance cost	Total	
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	fellow subsidiary	10,000	0	81	10,081	
<b>Total cost</b>		<b>17,289</b>	<b>52</b>	<b>173</b>	<b>17,514</b>	

In addition to fulfillment under contracts signed in compliance with the analysis of transfer prices, the Company received also other services, mainly relating to the XETRA trading system.

#### 4 EMPLOYEES, MANAGEMENT AND STATUTORY BODIES

##### 4.1 Personnel expenses and number of employees (without benefits to members of the Company's statutory bodies)

The following table summarizes the average number of employees (expressed in full-time equivalents) and members of management of the Company for the years 2018 and 2017:

	Average headcount		Personnel expenses (in CZK thousands)	
	2018	2017	2018	2017
Employees	24	24	34,146	30,814
Management	7	7	19,303	18,450
<b>Total</b>	<b>31</b>	<b>31</b>	<b>53,449</b>	<b>49,264</b>

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

In accordance with employee benefit policies, the Company contributes to employees' pension and life insurance schemes and provides other social benefits totaling CZK 2,327 thousand (2017: CZK 2,229 thousand).

The management includes the CEO and directors of departments. Personnel expenses include also social and health insurance.

##### 4.2 Loans, borrowings and other benefits provided to members of the Company's bodies

In 2018 and 2017, total personnel expenses and other fulfilment provided to the members of the Exchange Chamber and the Company management were as follows:

	(in CZK thousands)			
	2018	Exchange Chamber	Management	Total
Remuneration provided to statutory bodies members		2,407	0	2,407
Life insurance and supplementary pension insurance contributions		0	295	295
Cars available also for personal purposes		0	1,283	1,283
<b>2017</b>				
Remuneration provided to statutory bodies members		2,321	0	2,321
Life insurance and supplementary pension insurance contributions		0	295	295
Cars available also for personal purposes		0	1,092	1,092

Amounts correspond with Company's internal supporting documentation and regulations. Cars to be used for private purposes represent non-cash benefits provided to the management.

The Supervisory Board members did not receive any bonuses in 2018 and 2017.

The Company does not record any payables relating to pension liabilities agreed with 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 2018 amounting to CZK 3,300 thousand (2017: CZK 3,300 thousand) for rent purposes in favor of VIG FUND uzavřený investiční fond, a.s.

The Company guarantees for trading activities of its subsidiaries within the Group of CZK 205,800 thousand (2017: CZK 163,240 thousand).

#### 4.3.2 Legal disputes

As at 31 December 2018 and 31 December 2017, 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 (Burzovní rozhodčí soud, the "BRS") has been 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 pursuant to the BRS arbitration proceeding rules.

The BRS is established by the Exchange Chamber. The BRS resides at the premises where the Company has its registered office.


	(in CZK thousands)	
<b>BRS results</b>	<b>2018</b>	<b>2017</b>
Revenues	0	0
Expenses	3	3
<b>Profit</b>	<b>(3)</b>	<b>(3)</b>
<b>Financial assets</b>	<b>1,414</b>	<b>1,417</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 for the year ended 31 December 2018.

Prague, 8 March 2019

Statutory body signature:

  
.....

Petr Kobic

CEO and Chairman of the Exchange Chamber

  
.....

David Kučera

Member of the Exchange Chamber



## **Independent Auditor's report**

(Translation of a report originally issued in Czech - see Note 2 to the financial statements.)

## 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 accounting principles generally accepted in the Czech Republic, which comprise the balance sheet as at 31 December 2018, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Company, see Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

### *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, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation 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 Matters*

The prior year financial statements of Burza cenných papírů Praha, a.s. were audited by another auditor whose report dated 8 March 2018 expressed an unqualified opinion on those statements.

### *Other Information*

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these 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 the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

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 Company's Board of Directors and Supervisory Board for the Financial Statements*

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the Czech Republic and for such internal control as the Board of Directors 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 Board of Directors 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 Board of Directors 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 overseeing 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 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 law or regulation, 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 Board of Directors.

- Conclude on the appropriateness of the Board of Directors' 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 the Supervisory Board 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.

Ernst & Young Audit, s.r.o.  
License No. 401



Roman Hauptfleisch, Auditor  
License No. 2009

8 March 2019  
Prague, Czech Republic

## Consolidated financial statements

**CONSOLIDATED FINANCIAL STATEMENTS 2018**  
**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 2019</b>



## TABLE OF CONTENTS

<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 2018</b> .....	<b>1</b>
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018</b> .....	<b>2</b>
<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 2018</b> .....	<b>3</b>
<b>CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2018</b> .....	<b>4</b>
<b>1. GENERAL INFORMATION</b> .....	<b>5</b>
<b>2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS</b> .....	<b>7</b>
<b>3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</b> .....	<b>8</b>
3.1. PRINCIPLES OF CONSOLIDATION.....	8
3.2. SUBSIDIARIES .....	8
3.3. FUNCTIONAL CURRENCY .....	8
3.4. CASH AND CASH EQUIVALENTS .....	8
3.5. CASH FLOW .....	9
3.6. FINANCIAL ASSETS .....	9
3.6.1. <i>Financial assets at amortized cost (AC) – debt instruments</i> .....	9
3.6.2. <i>Financial assets at fair value through profit or loss (FVTPL)</i> .....	10
3.7. FINANCIAL LIABILITIES .....	10
3.7.1. <i>Financial liabilities at fair value through profit or loss</i> .....	11
3.7.2. <i>Loans and borrowings</i> .....	11
3.8. PROPERTY AND EQUIPMENT / INTANGIBLE ASSETS .....	11
3.9. INVESTMENTS IN ASSOCIATED COMPANIES .....	12
3.10. IMPAIRMENT OF FINANCIAL ASSETS.....	12
3.11. IMPAIRMENT OF NON-FINANCIAL ASSETS .....	13
3.12. REVENUE RECOGNITION.....	13
3.13. CURRENT AND DEFERRED INCOME TAX .....	14
3.14. PROVISIONS .....	15
3.15. FOREIGN CURRENCY TRANSLATION .....	15
3.16. SHARE CAPITAL AND TREASURY SHARES .....	15
3.17. CLEARING FUND AND COLLATERAL FUND .....	16
3.17.1. <i>Clearing fund</i> .....	16
3.17.2. <i>Collateral fund</i> .....	16
3.18. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS.....	16
3.19. BANK GUARANTEES .....	17
3.20. CHANGES IN THE ACCOUNTING POLICIES ARISING FROM THE ADOPTION OF NEW STANDARDS AND INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS.....	17
3.20.1. <i>IFRS 9 Financial instruments</i> .....	17
3.20.2. <i>IFRS 15 Revenue from contracts with customers</i> .....	18
3.20.3. <i>IFRS 16 Leasing</i> .....	19
<b>4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLICATION OF          ACCOUNTING POLICIES</b> .....	<b>22</b>
4.1. PROVISION FOR EXPECTED CREDIT LOSSES OF TRADE RECEIVABLES .....	22
4.2. PROVISION FOR EXPECTED CREDIT LOSSES OF CASH, LONG-TERM FINANCIAL ASSETS AND GUARANTEES .....	22
4.3. DETERMINATION OF FAIR VALUE .....	23
<b>5. ADDITIONAL INFORMATION ON COMPREHENSIVE INCOME FOR 2018</b> .....	<b>24</b>
5.1. REVENUES .....	24
5.2. SERVICES.....	24
5.3. EMPLOYEE BENEFIT EXPENSES .....	25
5.4. DEPRECIATION AND AMORTIZATION EXPENSES.....	25
5.5. OTHER OPERATING INCOME .....	25
5.6. OTHER OPERATING EXPENSES .....	25
5.7. FINANCIAL INCOME .....	26
5.8. FINANCIAL EXPENSES .....	26
5.9. INCOME TAX EXPENSE .....	26
5.10. SHARE OF PROFIT OF ASSOCIATES .....	27
<b>6. ADDITIONAL INFORMATION ON CONSOLIDATED STATEMENT OF FINANCIAL POSITION          AS AT 31 DECEMBER 2018</b> .....	<b>28</b>

6.1.	PROPERTY AND EQUIPMENT .....	28
6.2.	INTANGIBLE FIXED ASSETS.....	29
6.3.	INVESTMENTS IN ASSOCIATED COMPANIES .....	30
6.3.1.	<i>Impairment testing of investments in associates</i> .....	30
6.4.	OPERATING LEASES.....	31
6.5.	TRADE AND OTHER RECEIVABLES .....	31
6.6.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS.....	32
6.7.	CASH AND OTHER LONG-TERM FINANCIAL ASSETS .....	32
6.8.	OTHER ASSETS .....	33
6.9.	SHARE CAPITAL AND SHAREHOLDERS' FUND .....	33
6.9.1.	<i>Share capital</i> .....	33
6.9.2.	<i>Treasury shares</i> .....	33
6.9.3.	<i>Other funds</i> .....	33
6.10.	DEFERRED TAX .....	34
6.11.	TRADE PAYABLES .....	35
6.12.	LIABILITIES TO EMPLOYEES .....	35
6.13.	OTHER LIABILITIES.....	35
6.14.	BANK LOANS AND GUARANTEES .....	36
6.15.	PROVISIONS .....	36
6.16.	CLF FUND ASSETS AND LIABILITIES NOT RECOGNIZED IN THE BALANCE SHEET.....	36
<b>7.</b>	<b>ADDITIONAL INFORMATION ON CONSOLIDATED CASH FLOW STATEMENT FOR 2018...</b>	<b>37</b>
<b>8.</b>	<b>ADDITIONAL INFORMATION ACCORDING TO IFRS REQUIREMENTS.....</b>	<b>38</b>
8.1.	FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES .....	38
8.2.	MANAGEMENT OF CREDIT RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS .....	38
8.3.	MANAGEMENT OF LIQUIDITY RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS.....	41
8.4.	MANAGEMENT OF MARKET RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS.....	43
8.4.1.	<i>Sensitivity analysis of foreign exchange risk</i> .....	43
8.4.2.	<i>Interest rate risk</i> .....	45
8.5.	FAIR VALUE LEVELS .....	46
8.6.	CAPITAL MANAGEMENT.....	46
8.7.	APPLICATION OF IFRS 7 – FINANCIAL INSTRUMENTS: DISCLOSURES .....	47
<b>9.</b>	<b>RELATED PARTIES .....</b>	<b>48</b>
<b>10.</b>	<b>SUBSEQUENT EVENTS.....</b>	<b>50</b>



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 2018**

	Note	2018 TCZK	2017 TCZK
Revenues	5.1	505,593	470,743
Services	5.2	(91,020)	(84,901)
Employee benefit expenses	5.3	(134,881)	(125,040)
Depreciation and amortization expenses	5.4	(25,823)	(26,896)
Change in provisions and allowances for receivables		330	213
Other operating income	5.5	11,397	9,056
Other operating expenses	5.6	(11,941)	(14,315)
<b>Profit from operating activities</b>		<b>253,655</b>	<b>228,860</b>
Financial income	5.7	7,751	4,452
Other income	5.7	0	0
Financial expense	5.8	(9,207)	(7,205)
Share of profit of associates	5.10	5,906	2,330
<b>Net financial income</b>		<b>4,450</b>	<b>(423)</b>
<b>Profit before income tax</b>		<b>258,106</b>	<b>228,438</b>
Income tax expense	5.9	(49,171)	(44,094)
<b>Profit from continuing operations</b>		<b>208,935</b>	<b>184,344</b>
Attributable to:			
<i>Equity holders of the parent</i>		207,981	183,155
<i>Non-controlling interests</i>		954	1,189
		<b>208,935</b>	<b>184,344</b>
Other comprehensive income for the period		0	0
<b>Total comprehensive income for the period</b>		<b>208,935</b>	<b>184,344</b>
Attributable to:			
<i>Equity holders of the parent</i>		207,981	183,155
<i>Non-controlling interests</i>		954	1,189
		<b>208,935</b>	<b>184,344</b>

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018**

	Note	31.12.2018	31.12.2017
		TCZK	TCZK
<b>NON-CURRENT ASSETS</b>			
Property and equipment	6.1	7,801	5,438
Intangible assets	6.2	73,632	89,557
Investments in associated companies	6.3	50,580	46,974
Long-term receivables and loans		102	102
Other long-term financial assets	6.7	225,000	220,000
<b>Total non-current assets</b>		<b>357,115</b>	<b>362,071</b>
<b>CURRENT ASSETS</b>			
Trade receivables and other receivables	6.5	174,638	132,031
Other assets	6.8	18,593	10,177
Financial assets at fair value through profit and loss	6.6	0	45,034
Cash	6.7	317,443	145,448
<b>Total current assets</b>		<b>510,674</b>	<b>332,690</b>
<b>TOTAL ASSETS</b>		<b>867,789</b>	<b>694,761</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6.9.1	100,262	100,072
Treasury shares	6.9.2	(550)	(550)
Other funds	6.9.3	159,170	129,062
Retained earnings		397,385	272,312
Equity attributable to equity holders of the parent		656,267	500,896
Non-controlling interests		3,124	3,344
<b>Total shareholders' equity</b>		<b>659,391</b>	<b>504,240</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liability	6.10	11,841	15,475
<b>Total non-current liabilities</b>		<b>11,841</b>	<b>15,475</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	6.11	122,311	49,323
Employee benefit payable	6.12	47,081	40,914
Other current liabilities	6.13	14,493	11,307
Income tax payable	5.9	9,232	11,916
Current bank loans	6.14	3,440	61,586
<b>Total current liabilities</b>		<b>196,557</b>	<b>175,046</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>867,789</b>	<b>694,761</b>

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 2018**

	(in TCZK)						
	Share capital	Treasury shares	Other funds	Retained earnings	Total Equity attributable to equity holders of the parent	Non- controlling interests	Total Equity
<b>Balance at 31 December 2016</b>	<b>100,072</b>	<b>0</b>	<b>28,489</b>	<b>402,514</b>	<b>531,075</b>	<b>3,447</b>	<b>534,552</b>
<b>Comprehensive income</b>							
Profit	0	0	0	183,155	183,155	1,189	184,344
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>183,155</b>	<b>183,155</b>	<b>1,189</b>	<b>184,344</b>
<b>Transactions with owners of the Company</b>							
Dividends	0	0	0	(212,784)	(212,784)	(1,292)	(214,076)
Additions to funds	0	0	100,573	(100,573)	0	0	0
Purchase of own shares	0	(550)	0	0	(550)	0	(550)
<b>Total transactions with owners of the Company</b>	<b>0</b>	<b>(550)</b>	<b>100,573</b>	<b>(313,357)</b>	<b>(213,334)</b>	<b>(1,292)</b>	<b>(214,626)</b>
<b>Balance at 31 December 2017</b>	<b>100,072</b>	<b>(550)</b>	<b>129,062</b>	<b>272,312</b>	<b>500,896</b>	<b>3,344</b>	<b>504,240</b>
<b>Comprehensive income</b>							
Profit	0	0	0	207,981	207,981	954	208,935
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>207,981</b>	<b>207,981</b>	<b>954</b>	<b>208,935</b>
<b>Transactions with owners of the Company</b>							
Dividends	0	0	0	(53,561)	(53,561)	(223)	(53,784)
Additions to funds	0	0	29,863	(29,863)	0	0	0
Changes in majority share	190	0	245	516	951	(951)	0
<b>Total transactions with owners of the Company</b>	<b>0</b>	<b>0</b>	<b>30,108</b>	<b>(82,908)</b>	<b>(52,610)</b>	<b>(1,173)</b>	<b>(53,784)</b>
<b>Balance at 31 December 2018</b>	<b>100,262</b>	<b>(550)</b>	<b>159,170</b>	<b>397,385</b>	<b>656,267</b>	<b>3,124</b>	<b>659,391</b>

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

### CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2018

	Note	31.12.2018 TCZK	31.12.2017 TCZK
<b>Profit for the period</b>		<b>208,935</b>	<b>184,344</b>
<b>Adjustments for non-cash transactions:</b>			
Income tax	5.9	49,171	44,094
Depreciation of property and equipment	6.1	4,732	5,656
Amortization of intangible assets	6.2	21,091	21,240
Gain on disposal of property		(20)	0
Share of profit of associates	5.10	(5,906)	(2,330)
Change in allowances for receivables	6.5	(330)	(213)
Change in provisions	6.15	(543)	0
Interest income	5.7	(40)	0
Interest expense	5.8	221	225
(Increase)/decrease in fair value of securities	5.7	0	(63)
<b>Net operating cash flow before taxation and interest</b>		<b>277,311</b>	<b>252,953</b>
(Increase)/decrease in accounts receivable		(50,692)	22,105
Increase/(decrease) in accounts payable		82,884	(22,385)
Change in other long-term financial assets	6.7	(5,000)	(220,000)
Interest received	5.7	40	0
Interest paid	5.8	(221)	(225)
Income tax paid		(55,489)	(45,380)
<b>Net cash flow from operating activities</b>		<b>248,833</b>	<b>(12,932)</b>
Acquisition of tangible fixed assets	6.1	(7,096)	(2,637)
Acquisition of intangible fixed assets	6.2	(5,166)	(1,655)
Property, equipment and intangible assets sale		20	0
Maturity of financial assets at fair value through profit and loss	6.6	45,034	0
Dividends received from associates	6.3	2,300	0
<b>Net cash flow from investing activities</b>		<b>35,092</b>	<b>(4,292)</b>
Loans repayments	6.14	(61,586)	0
Loan drawings	6.14	3,440	61,586
Purchase of own shares		0	(550)
Dividends paid and payments made from funds		(53,784)	(214,076)
<b>Net cash flow from financing activities</b>		<b>(111,930)</b>	<b>(153,040)</b>
<b>Net increase/decrease in cash and cash equivalents</b>		<b>171,995</b>	<b>(170,264)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>145,448</b>	<b>315,712</b>
<b>Cash and cash equivalents at the end of the year</b>	6.7	<b>317,443</b>	<b>145,448</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 (hereinafter “CNB”)
- 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. (hereinafter “CSD” or the “Central securities depository Prague”)

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.	% equity interest	
			2018	2017
Burza cenných papírů Praha, a.s.	Parent company	471 15 629	100.00%	100.00%
Centrální depozitář cenných papírů, a.s.	Subsidiary	250 81 489	100.00%	100.00%
Energy Clearing Counterparty, a.s.	Subsidiary	284 41 681	100.00%	100.00%
POWER EXCHANGE CENTRAL EUROPE, a.s.	Associate	278 65 444	33.33%	33.33%

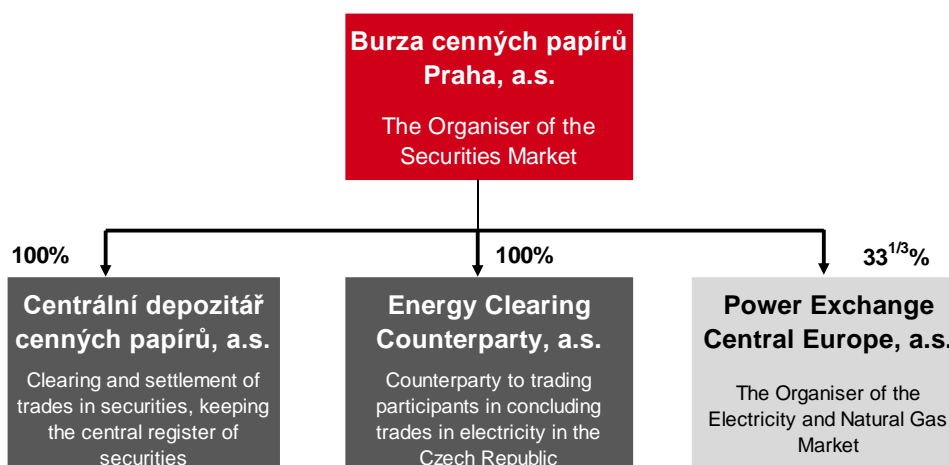
All companies stated above have their registered office at: Praha 1, Rybná 682/14, PSČ 110 05.

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 2018



From 8 December 2008, the majority owner of the consolidated group is CEESEG AG, which holds a 99.543% share as at 31 December 2018 (2017: 99.355%).

## 2. 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 on a historical cost basis, except for derivative financial instruments, debt and equity financial assets that have been measured at fair value. The carrying values of recognized assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortized cost are adjusted to recognise changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

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 4 for further discussion). Actual results could differ from those estimates.

The financial statements were authorized for issue by the Board of Directors and are subject to the approval of the shareholders annual general meeting.

### **Explanation Added for Translation into English**

These consolidated financial statements have been prepared in the Czech language and in English. In all matters of interpretation of information, views or opinions, the Czech version of the consolidated financial statements takes precedence over the English version.

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

#### **3.1. 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.

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 Group.

#### **3.2. Subsidiaries**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2018. Control is achieved when the Group 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. Specifically, the Group controls an investee if, and only if, the Group has (1) power over the investee, (2) exposure, or rights, to variable returns from its involvement with the investee, (3) the ability to use its power over the investee to affect its returns. Generally, there is a presumption that a majority of voting rights results in control.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

#### **3.3. 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.

#### **3.4. 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.

### **3.5. 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.

### **3.6. Financial assets**

The Group classifies its financial assets in the following categories:

- 1) Financial assets at amortized cost (AC) – debt instruments
- 2) Financial assets at fair value through profit or loss (FVTPL)
- 3) Financial assets at fair value through other comprehensive income (FVTOCI)
  - a. debt instruments
  - b. equity instruments

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

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.

In order for a financial asset to be classified and measured at amortized cost or fair value through comprehensive income, it needs to give rise to cash flows that are „solely payments of principal and interest (SPPI)“ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrumental level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flow, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

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 assets are primarily derecognized when:

- 1) The rights to receive cash flows from the asset have expired Or
- 2) The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a „pass-through“ arrangement: either a) the Group has transferred substantially all the risks and rewards of the asset, or b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

#### **3.6.1. Financial assets at amortized cost (AC) – debt instruments**

The Group measures financial assets at amortized cost if both of the following conditions are met:

- 1) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- 2) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The effective interest rate 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.

The financial assets at amortized cost include trade receivables and loans to associated companies as well as deposits on central bank accounts or other bank accounts.

### **3.6.2. Financial assets at fair value through profit or loss (FVTPL)**

This category includes financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss or financial assets mandatorily required to be measured at fair value.

Financial assets are 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 derivate (except for derivative that is an effective hedging instrument).

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through other comprehensive income.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

### **3.7. Financial liabilities**

The Group classifies its financial liabilities in the following categories:

- 1) Financial liabilities at fair value through profit or loss And
- 2) Loans, borrowings and payables

The classification of financial liabilities at initial recognition is at fair value and in the case of loans, borrowings and payables, net of directly attributable transaction costs.

### **3.7.1. Financial liabilities at fair value through profit or loss**

This category includes financial liabilities held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

Financial liabilities are 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 derivate (except for derivative that is an effective hedging instrument).

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

### **3.7.2. Loans and borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest (EIR) method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

Financial liabilities are derecognized when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

## **3.8. 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.

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.

### **3.9. Investments in associated companies**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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 "Share of profit of associates".

### **3.10. Impairment of financial assets**

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract (incl. effect of any prepayment or extension options, if any) and all the cash flows that the Group expects to receive (i.e. reflecting the cash shortfalls due to the credit risk), discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months. This approach is applied also for assets that are of low credit risk as at the balance sheet date. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculation ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount.

The Group recognizes the lifetime expected credit losses for credit-impaired financial assets if the probability of default is set at 100%. The expected cash shortfalls are discounted by an approximation to the original effective interest rate.

### **3.11. 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.

### **3.12. Revenue recognition**

The Group adopted 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.

The Group implemented 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.

The Group has all revenues which have one promised good or service with no options granted to customers and are based on a fixed amount – fixed amount per time period, fixed amount per transaction.

There are no parts of the consideration from customers which are received more than 12 months prior or after the transfer of service to the customers and therefore the Group does not identify any significant financial components.

The revenues arising from contract have only one performance obligation – therefore the whole transaction price will be allocated to this performance obligation.

#### **Principal versus agent considerations**

The Group determines the nature of its promise if another entity is involved in providing goods or services to the customer and can be present in the transaction either as an agent or a principal. The Group acts as an agent which has an impact on the presentation of the revenue *Storage and management of SCP records*. The amount recorded in revenue will reduce the costs which are related to it.

#### **Main revenue streams**

The administrative fees (for membership and quotation), exchange information, fee for records maintenance, license fees for exchange trading and other services which are represented by revenues for rent services are recognized over-time. These revenues are measured using the output method. The revenues from trading on stock exchange, revenues from settlement of trades and fee for registration of new issues are recognized at point in time when the transaction is executed.

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.

### **3.13. Current and deferred 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 2018, 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.

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.

### **3.14. 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.

### **3.15. 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 and other monetary 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)".

### **3.16. 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".



### **3.17. Clearing fund and collateral fund**

#### **3.17.1. 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.

#### **3.17.2. 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.

### **3.18. 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.



### **3.19. Bank guarantees**

The guarantees are initially measured at their fair value (being typically the present value of the guaranty fee) and subsequently measured at the higher of expected credit losses and the initially recognized amount less cumulative income recognized in line with IFRS 15. Financial guarantees are recognized as off-balance financial instrument.

### **3.20. 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 2018 and were adopted by the European Union.

#### **3.20.1. IFRS 9 Financial instruments**

The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

Management has made an assessment of the effect of the standard which has a following impact. The scope of IFRS 9 cover non-current receivables and loans, trade receivables and other receivables, securities held for trading, trade payables and bank loans.

#### **Classification**

The Group created documentation on the business model and assess whether cash flows from debt instruments are represented by solely payments of principal and interest.

- 1) The securities under IFRS 9 have the same accounting recognitions as under IAS 39 and are classified in the FVTPL category owing to the business model.
- 2) The trade receivables and other receivables are represented by current receivables without a significant financing component which are planned to be held until the collection date – they are classified as financial assets at amortized cost.
- 3) The financial liabilities under IFRS 9 have the same accounting recognitions as under IAS 39 and are classified at amortized cost.

#### **Measurement**

The impact is only on the net value of financial assets at amortized cost due to a change of the impairment model from realised loss on expected credit loss.

#### **Impairment model**

The Group created a model for the calculation of provisions using expected credit loss model and used provision matrix method for trade receivables. The provision matrix method is based on historical data.

The impact on consolidated statement of financial position as at January 1, 2018:

	31.12.2017	IFRS 9 impact on consolidated statement of financial position as at 1.1.2018
	TCZK	TCZK
<b>CURRENT ASSETS</b>		
Trade receivables and other receivables	132,031	293
<b>Total current assets</b>	<b>332,690</b>	<b>293</b>
<b>TOTAL ASSETS</b>	<b>694,761</b>	<b>293</b>
<b>SHAREHOLDERS' EQUITY</b>		
Retained earnings	272,312	293
<b>Total shareholders' equity</b>	<b>504,240</b>	<b>293</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>694,761</b>	<b>293</b>

### 3.20.2. IFRS 15 Revenue from contracts with customers

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.

Management has assessed this standard which indicates one impact represented by an issue in the context of the revenue presentation. The revenues for *Storage and management of SCP records* contain agent vs. principal issue which has an impact on the presentation of revenues. The amount recorded in revenue according to IFRS 15 will reduce the costs which are related to it.

The impact on consolidated statement of comprehensive income in 2018:

	2018	IFRS 15 impact on consolidated statement of comprehensive income
	TCZK	TCZK
Revenues	505,593	684
Services	(91,020)	684
<b>Profit from operating activities</b>	<b>253,655</b>	<b>0</b>

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

- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendments to IAS 40 Transfers of Investment Property
- IFRIC INTERPETATION 22: Foreign Currency Transactions and Advance Consideration
- Annual Improvements to IFRS 2014-2016 Cycle

**Impact of issued and effective standards and interpretations for period since 1st January 2019:**

### **3.20.3. 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 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 impact on consolidated statement of financial position as at January 1, 2019:

	31.12.2018	IFRS 16 impact on consolidated statement of financial position as at 1.1.2019
	TCZK	TCZK
<b>NON-CURRENT ASSETS</b>		
Property and equipment	7,801	59,737
<b>Total non-current assets</b>	<b>357,115</b>	<b>59,737</b>
<b>Total current assets</b>	<b>510,674</b>	<b>0</b>
<b>TOTAL ASSETS</b>	<b>867,789</b>	<b>59,737</b>
<b>SHAREHOLDERS' EQUITY</b>		
Retained earnings	397,385	(511)
<b>Total shareholders' equity</b>	<b>659,391</b>	<b>(511)</b>
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liability	11,841	(120)
Long-term liabilities from leasing	0	49,123
<b>Total non-current liabilities</b>	<b>11,841</b>	<b>49,003</b>
<b>CURRENT LIABILITIES</b>		
Other current liabilities	14,493	11,245
<b>Total current liabilities</b>	<b>196,557</b>	<b>11,245</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>867,789</b>	<b>59,737</b>

The current nominal value of future lease payments for operating leases is stated in Note 6.4.

**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 9: Prepayment features with negative compensation
- IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments

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
- IFRS 17 Insurance Contracts
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

- Conceptual Framework in IFRS standards
- Amendments to IFRS 3: Business Combinations
- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material'
- Annual Improvements to IFRS 2014-2017 Cycle

#### **4. 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.

##### **4.1. Provision for expected credit losses of trade receivables**

The Group uses the provision matrix approach to calculate impairment for trade receivables. In the provision matrix approach, impairment is calculated as a current amount of receivables in a predetermined Days Past Due bucket, multiplied by the historical loss rate associated with that time bucket and adjusted for forward looking information.

The Group analyzes the historical loss rates as the ratio, for each time bucket, of receivables that reached 365 Days Past Due to all receivables already paid that were in the given or any of the following time buckets. The analysis is based on data for 3 previous years and is updated yearly.

The calculated ratio shows the historical probability that the given receivable will migrate to the 365 days past due time bucket. Once the receivable is over 365 days past due, the receivable is subject to 100% impairment allowance. This ratio therefore represents the expected loss rate on receivables in the given time bucket and is used as the loss allowance coefficient.

Forward looking information (FLI) component is equal to 1 since the receivables have very low maturity, therefore the Group does not expect the FLI to have a significant effect on the amount of loss allowance.

##### **4.2. Provision for expected credit losses of cash, long-term financial assets and guarantees**

These assets contain current account balances and guarantees at commercial banks and funds deposited at Czech National Bank due to the capital requirement according to the CSDR regulation. These balances are subject to the general impairment model. The Group calculates impairment for these assets based on the following equation:

$$ECL=PD*LGD*EAD*D_t*FLI$$

The 12-month Probability of Default (PD) is used for assets without a significant increase in credit risk since initial recognition and Lifetime PD for other assets. 12-month PD is derived from the external rating of the counterparty, using the Moody's yearly Default report and therein presented annual issuer weighted corporate default rates. If the counterparty is rated by a different rating agency, the rating is converted to Moody's rating using the rating conversion tables, available online. The Group assumes there will never be a significant increase in credit risk on these assets since the counterparties are investment-grade rated financial institutions, therefore The Group applies the "low credit risk exemption".

The Loss Given Default (LGD) is derived from the external rating of the counterparty, using the Moody's yearly Default report and therein presented average unsecured bond recovery rates (LGD = 1 – the presented recovery rate).

Current book value of the asset is used as the Exposure at Default (EAD) since the assets have typically very low maturity (typically on-demand), therefore EAD does not differ significantly from the current balance.

$D_t$  is the discount factor. Due to the very low maturity of the assets, The Group assumes time-value will have a limited impact on the present value of the loss allowance, therefore discount factor is equal to 1.

The PDs and LGDs are updated on a yearly basis, once the new Moody`s report is available.

The Group does not expect FLI to have an impact on the value of loss allowance, therefore FLI component equals 1.

#### **4.3. Determination of fair value**

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)

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

## 5. ADDITIONAL INFORMATION ON COMPREHENSIVE INCOME FOR 2018

### 5.1. Revenues

	2018		2017	
	Volume	Structure	Volume	Structure
	TCZK	%	TCZK	%
Revenues from trading on stock exchange	23,819	4,7%	20,568	4,4%
Shares	22,764	4,5%	19,773	4,2%
Debt securities	1,001	0,2%	684	0,2%
Structured products	54	0,0%	111	0,0%
Administrative fees (for membership and quotation)	22,574	4,5%	21,993	4,7%
Exchange information	40,276	8,0%	36,244	7,7%
Revenues from CSD services (excluding settlement)	330,431	65,3%	304,579	64,7%
Fee for registration of issues and related services	132,759	26,2%	110,902	23,6%
Fee for records maintenance	160,940	31,8%	157,387	33,4%
Other services CSD	36,732	7,3%	36,290	7,7%
Revenues from settlement of trades	81,806	16,2%	81,168	17,2%
License fees for exchange trading	116	0,0%	176	0,0%
Other revenues	6,571	1,3%	6,015	1,3%
<b>Total revenues</b>	<b>505,593</b>	<b>100,0%</b>	<b>470,743</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 9.

### 5.2. Services

	(in TCZK)	
	2018	2017
Rent of administrative premises	(11,157)	(11,261)
Taxes and fees	(167)	(450)
IT maintenance services and repairs of assets	(24,618)	(22,583)
Costs of usage of technical trading system XETRA	(9,144)	(9,328)
Data links and connections	(2,655)	(2,831)
Securities administration services	(5,602)	(7,743)
Communication fees (telecommunication, mail, transport)	(897)	(827)
Information services fees	(1,365)	(1,581)
Marketing and advertisement	(8,373)	(4,754)
Market development	(2,571)	(2,850)
Advisory, tax and audit services	(15,181)	(12,160)
Travelling expenses	(1,521)	(1,342)
Operating lease (cars)	(3,631)	(3,024)
Cleaning services	(587)	(577)
Training	(1,838)	(1,828)
Other services	(1,713)	(1,762)
<b>Total</b>	<b>(91,020)</b>	<b>(84,901)</b>

Rent of administrative premises includes rent in the amount TCZK 8,367 (2017: TCZK 7,815) and services related to rent in the amount TCZK 2,408 (2017: TCZK 2,647). The remaining portion comprises expenses incurred for security, sanitary maintenance and other expenses of TCZK 382 (2017: TCZK 799).

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 2018 these expenses amounted TCZK 24,618 (2017: 22,583).



Securities administration expenses constitute primarily costs for administration of foreign securities in the amount of TCZK 4,245 (2017: TCZK 5,910) and fees for custody and administration of records database in the amount of TCZK 683 (2017: TCZK 683).

### 5.3. Employee benefit expenses

	(in TCZK)	
	2018	2017
Salaries	(101,231)	(93,620)
Statutory social and health insurance	(28,225)	(26,029)
Other employee expenses	(5,425)	(5,391)
<b>Total</b>	<b>(134,881)</b>	<b>(125,040)</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 12,185 (2017: TCZK 10,644).

### 5.4. Depreciation and amortization expenses

	(in TCZK)	
	2018	2017
Depreciation of tangible fixed assets (Note 6.1)	(4,732)	(5,656)
Amortization of intangible fixed assets (Note 6.2)	(21,091)	(21,240)
<b>Total</b>	<b>(25,823)</b>	<b>(26,896)</b>

### 5.5. Other operating income

	(in TCZK)	
	2018	2017
Sale of property and equipment	20	0
Data services	6,022	6,004
Fees for suspended and unsettled trades	4,951	2,539
Other operating revenues	404	513
<b>Total other operating income</b>	<b>11,397</b>	<b>9,056</b>

### 5.6. Other operating expenses

	(in TCZK)	
	2018	2017
Material consumption	(3,071)	(3,728)
Members' fees	(474)	(495)
Liability insurance and property insurance	(1,273)	(1,427)
Representation costs	(1,855)	(1,603)
Fee for operating of legal person identification	(2 877)	(4,182)
Write off of receivables	(597)	(568)
Other operating expenses	(1,794)	(2,312)
<b>Total other expenses</b>	<b>(11,941)</b>	<b>(14,315)</b>

## 5.7. Financial income

	(in TCZK)	
	2018	2017
Interest income from current deposits (using EIR)	40	0
Interest income from instruments FVTPL	197	61
Net income from revaluation of instruments FVTPL	0	63
Foreign exchange rate differences	7,513	4,328
Other financial revenues	1	0
<b>Total financial income</b>	<b>7,751</b>	<b>4,452</b>

## 5.8. Financial expenses

	(in TCZK)	
	2018	2017
Interest expenses on debts and borrowings (using EIR)	(221)	(225)
Foreign exchange rate differences	(7,330)	(5,406)
Net income from revaluation of instruments FVTPL	(22)	0
Other financial expenses (banking fees)	(1,634)	(1,574)
<b>Total financial expenses</b>	<b>(9,207)</b>	<b>(7,205)</b>

## 5.9. Income tax expense

	(in TCZK)	
	2018	2017
Income tax payable – current period	(54,040)	(49,777)
Additional corporate income tax payment/(refund) - prior year	1,235	1,516
Deferred tax (Note 6.10)	3,634	4,167
<b>Total income tax</b>	<b>(49,171)</b>	<b>(44,094)</b>

	(in TCZK)	
<b>Current tax on continuing operations</b>	<b>2018</b>	<b>2017</b>
Income tax payable – current period	(54,040)	(49,777)
Income tax advance payments	44,808	37,861
<b>Income tax (payable) / receivable</b>	<b>(9,232)</b>	<b>(11,916)</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)	
	2018	2017
<b>Profit before tax</b>	<b>258,106</b>	<b>228,438</b>
Theoretical tax calculated at a tax rate of 19% (2017: 19%)	49,040	43,403
Non-taxable revenues	(1,010)	(526)
Permanent expenses not deductible for tax purposes	2,376	2,733
<b>Total income tax from operations</b>	<b>50,406</b>	<b>45,610</b>
Correction of prior year tax	(1,235)	(1,516)
<b>Total income tax expense</b>	<b>49,171</b>	<b>44,094</b>

Non-taxable revenues in 2018 represent a share of profit in the associated company.

#### 5.10. 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 2018, amounted to TCZK 5,906 (2017: TCZK 2,330). As at 31 December 2018 the Group tested the investment for impairment by applying the discounted cash flow method. Consequently, it created no further allowance to this investment in 2018 (2017: TCZK 0).

	(in TCZK)	
	<b>2018</b>	<b>2017</b>
<b>Ownership in %</b>	<b>33.33 %</b>	<b>33.33 %</b>
Group's share of profit/loss	5,906	2,330
<b>Group's share of profit of associates</b>	<b>5,906</b>	<b>2,330</b>

## 6. ADDITIONAL INFORMATION ON CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

### 6.1. Property and Equipment

(in TCZK)

Cost	IT Equipment	Fixtures and fittings	Tang. fixed assets under constr.	Total
<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>
Additions	6,172	937	0	7,109
Disposals	(11,279)	(2,093)	(13)	(13,385)
<b>As at 31 December 2018</b>	<b>73,008</b>	<b>8,560</b>	<b>0</b>	<b>81,568</b>

(in TCZK)

Accumulated depreciation	IT Equipment	Fixtures and fittings	Tang. fixed assets under constr.	Total
<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>
Additions	4,103	629	0	4,732
Disposals	(11,278)	(2,093)	0	(13,371)
<b>As at 31 December 2018</b>	<b>66,886</b>	<b>6,881</b>	<b>0</b>	<b>73,767</b>

(in TCZK)

Net book value	IT Equipment	Fixtures and fittings	Tang. fixed assets under constr.	Total
As at 1 January 2016	6,468	1,989	0	8,457
As at 31 December 2017	4,054	1,371	13	5,438
As at 31 December 2018	6,122	1,679	0	7,801

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 7,109 (2017: TCZK 2,624) represents a purchase of computer/IT and office equipment.

## 6.2. Intangible fixed assets

(in TCZK)

Cost	Software	Others	Intang. fixed assets under constr.	Total
<b>As at 1 January 2016</b>	<b>198,543</b>	<b>231,212</b>	<b>0</b>	<b>429,755</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>
Additions	5,419	0	0	5,419
Disposals	0	0	(253)	(253)
<b>As at 31 December 2018</b>	<b>205,364</b>	<b>231,163</b>	<b>0</b>	<b>436,527</b>

(in TCZK)

Accumulated amortization	Software	Others	Intang. fixed assets under constr.	Total
<b>As at 1 January 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>
Additions	2,143	18,948	0	21,091
Disposals	0	0	0	0
<b>As at 31 December 2018</b>	<b>199,414</b>	<b>163,481</b>	<b>0</b>	<b>362,895</b>

(in TCZK)

Net book value	Software	Others	Intang. fixed assets under constr.	Total
As at 1 January 2016	3,563	105,579	0	109,142
As at 31 December 2017	2,674	86,630	253	89,557
As at 31 December 2018	5,950	67,682	0	73,632

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 2018 is TCZK 67,682 (2017: TCZK 86,569).

The remaining part of intangible assets consists of information systems, 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 5,419 (2017: TCZK 1,402) is mainly represented by purchases of software (virtual environment security system).

### 6.3. 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 2018	As at 1 January 2017
<b>Ownership in %</b>	<b>33.33 %</b>	<b>33.33 %</b>
Property and equipment	137	106
Intangible assets	359	838
Deferred tax asset	0	523
Long-term receivables and loans	30	30
<b>Non-current assets</b>	<b>526</b>	<b>1,497</b>
Income tax receivable	335	40
Trade and other receivables	5,366	4,029
Other assets	655	437
Cash and cash equivalents	58,865	47,167
<b>Current assets</b>	<b>65,221</b>	<b>51,673</b>
Trade liabilities	(2,314)	(877)
Provisions	0	(1,973)
Income tax payable	(2,318)	(570)
Other current liabilities	(1,922)	(2,069)
Employee benefit payable	(7,169)	(6,476)
<b>Total current liabilities</b>	<b>(13,723)</b>	<b>(11,965)</b>
Total net assets (100%)	52,024	41,205
Total net assets (33.33%; 2017: 33.33%)	17,341	13,735
Original cost of investments in associates to fair value	41,730	41,730
Impairment allowance	(8,491)	(8,491)
<b>Carrying amount of investments in associates</b>	<b>50,580</b>	<b>46,974</b>
Total income	60,046	48,478
Total profit/loss for the period (100%)	17,719	6,989
<b>Group's share of profit/loss</b>	<b>5,906</b>	<b>2,330</b>

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

As at 31 December 2018 the Group's investment in an associate stated at fair value was tested for impairment using the discounted cash flow method.

	(in TCZK)	
	2018	2017
<b>As at 1 January</b>	<b>46,974</b>	<b>44,644</b>
Share of profit of associates	5,906	2,330
Dividend payment	(2,300)	0
Allowance for equity investments (DCF method)	0	0
<b>As at 31 December</b>	<b>50,580</b>	<b>46,974</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 5,906 and dividend payment in a value of TCZK 2,300, the fair value of the appropriate investment did not change as at 31 December 2018 after testing the investment by the discounted cash flow method. The Group decided to keep an allowance, of TCZK 8,491 (2017: TCZK 8,491) created in 2016. The Group used budgeted cash flows of the associate for calculation of discounted cash flows. Discounted factor was determined using weighted average cost of capital of PXE.

#### 6.4. 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)	
	2018	2017
Rented premises	8,367	7,815
Operating lease of automobiles	3,631	3,024
<b>Total</b>	<b>11,998</b>	<b>10,839</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)	
	2018	2017
Due in 1 year	10,286	11,874
Due in 1–5 years	40,235	41,270
Due in more than 5 years	10,472	22,016
<b>Total minimum lease payments</b>	<b>60,993</b>	<b>75,160</b>

As at 31 December 2018, the Group did not have any agreement to make a Contract for lease of a vehicle which would result in a contractual penalty.

#### 6.5. Trade and other receivables

	(in TCZK)	
	As at 31 December 2018	As at 31 December 2017
Trade receivables	155,396	112,770
<i>physical settlement of trades with electric energy</i>	119,305	79,100
<i>trade receivables</i>	36,091	33,670
Adjustments to trade receivables	(5,615)	(5,946)
<b>Total net receivables</b>	<b>149,781</b>	<b>106,824</b>
Estimated receivables	21,290	18,067
Short/term advances	166	270
Receivables from employees	42	34
Other financial assets	3	62
<b>Financial assets</b>	<b>171,282</b>	<b>125,257</b>
Receivable from state ensuing from excessive VAT deduction	3,356	6,774
<b>Non-financial assets</b>	<b>3,356</b>	<b>6,774</b>
<b>Total</b>	<b>174,638</b>	<b>132,031</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)	
	2018	2017
Balance as at 1 January	5,946	6,159
Additions	1,454	2,812
Write-off of receivables	(500)	(568)
Release	(1,285)	(2,457)
<b>Balance as at 31 December</b>	<b>5,615</b>	<b>5,946</b>

#### 6.6. Financial assets at fair value through profit and loss

	(in TCZK)	
	As at 31 December 2018	As at 31 December 2017
Securities	0	45,034
<b>Total securities</b>	<b>0</b>	<b>45,034</b>

	(in TCZK)	
	2018	2017
<b>Securities held for trading as at 1 January</b>	<b>45,034</b>	<b>44,970</b>
Maturity of securities	(45,000)	0
Fair value change through profit/loss	(34)	64
<b>Securities held for trading as at 31 December</b>	<b>0</b>	<b>45,034</b>

#### 6.7. Cash and other long-term financial assets

	(in TCZK)	
	As at 31 December 2018	As at 31 December 2017
Cash in hand	122	102
Cash at bank	317,321	365,346
<b>Cash and cash equivalents</b>	<b>317,443</b>	<b>365,448</b>

According to the CSDR regulation, the CSD is obliged to meet the capital requirement which is a requirement for the CSDR licence. The capital requirement must be kept in liquid assets throughout the term of the CSDR licence, therefore it is presented in long-term financial assets and is not presented in cash equivalents. The amount is TCZK 225,000 as of December 31, 2018 (2017: TCZK 220,000).

	(in TCZK)	
	As at 31 December 2018	As at 31 December 2017
Limited disposal accounts – CSDR licence	225,000	220,000
<b>Other long-term assets</b>	<b>225,000</b>	<b>220,000</b>



## 6.8. Other assets

	(in TCZK)	
	As at 31 December 2018	As at 31 December 2017
Prepayments	18,593	10,178
<b>Non-financial assets</b>	<b>18,593</b>	<b>10,178</b>
<b>Total</b>	<b>18,593</b>	<b>10,178</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.

## 6.9. Share capital and shareholders' fund

### 6.9.1. Share capital

The balance of the Company's share capital recorded in the Commercial Register comprises of 265 056 registered common shares with a nominal value of CZK 380 per share as at 31 December 2018 (2017: 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.

### 6.9.2. 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 2018, the Company held treasury shares in acquisition price of TCZK 550 (2017: TCZK 550).

#### Balance as at 31 December 2018 and as at 31 December 2017

Shareholder	Owner of shares until: Date	Share on share capital %	Number of stocks pcs	Nominal value TCZK	Purchase price TCZK	Total purchase price TCZK	Total nominal value 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>

### 6.9.3. Other funds

	(in TCZK)	
	As at 31 December 2018	As at 31 December 2017
Other capital funds	9,900	9,900
Reserve fund	150,000	120,000
<b>Total</b>	<b>159,900</b>	<b>129 900</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 Centrální depozitář cenných papírů, a.s. was increased to TCZK 150,000 (2017: TCZK 120,000).

## 6.10. Deferred tax

The Group recognizes a deferred tax payable as at 31 December 2018 in the amount of TCZK 11,841 (2017: TCZK 15,475). Deferred income tax liability is attributable to the following items arising from temporary differences:

	(in TCZK)	
	As at 31 December 2018	As at 31 December 2017
Property, equipment and intangible assets	(13,120)	(16 866)
Provisions	101	0
Others	1,178	1,391
<b>Deferred tax liability</b>	<b>(11,841)</b>	<b>(15 475)</b>

	(in TCZK)	
	2018	2017
As at 1 January	(15,475)	<b>(19,642)</b>
Tax charge per the statement of comprehensive income	3,634	4,167
<b>As at 31 December</b>	<b>(11,841)</b>	<b>(15,475)</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 2018 is calculated using an applicable tax rate of 19% (tax rate for 2019 and following years), depending on the period in which temporary differences are expected to be reversed.

The deferred tax at 31 December 2017 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.

### 6.11. Trade payables

	(in TCZK)	
	As at 31 December 2018	As at 31 December 2017
Trade payables from electricity trading	109,881	35,562
Other trade payables	12,430	13,761
<b>Total</b>	<b>122,311</b>	<b>49,323</b>

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

No trade payables were overdue as at 31 December 2018.

### 6.12. Liabilities to employees

As at 31 December 2018 payables to employees include wages and salaries for December 2018 including social security and health insurance premiums of TCZK 22,697 (2017: CZK 20,112).

In addition, the Group reported estimated payables relating to the payment of bonuses (including social security and health insurance) of TCZK 24,384 (2017: TCZK 20,802).

### 6.13. Other liabilities

	(in TCZK)	
	As at 31 December 2018	As at 31 December 2017
Payables to associated company	259	30
Accrued expenses	786	272
Estimated payables	194	271
Other payables	494	1,856
<b>Financial liabilities</b>	<b>1,733</b>	<b>2,429</b>
Other tax liabilities	4,873	4,270
Deferred revenues	7,887	4,608
<b>Non-financial liabilities</b>	<b>12,760</b>	<b>8,878</b>
<b>Total other liabilities</b>	<b>14,493</b>	<b>11,307</b>

Payables of TCZK 494 (2017: TCZK 1,856) comprise primarily of payables to shareholders in arising from distribution of securities.

Other tax liabilities of TCZK 4,873 (2017: TCZK 4,270) primarily relate to income tax on employment. Deferred revenues in amount of 7,887 (2017: TCZK 4,608) relate to revenues from services provided by the Group such as the assignment of the Legal Entity Identifier (LEI) to legal entities.

#### 6.14. 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 5,000, i.e. TCZK 128,625 (2017: TEUR 3,000, i.e. TCZK 76,620). The Group has available undrawn commitments as at 31 December 2018 in the amount of TEUR 4,866, i.e. TCZK 125,185 (2017: TEUR 589, i.e. TCZK 15,034). As at 31 December 2018 the Group drew a loan in amount of TEUR 134, i.e. TCZK 3,440 (2017: TEUR 2,411, i.e. TCZK 61,586).

In 2018, the Group had an active overdraft facility of TCZK 10,000 (2017: 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 77,175 (2017: TEUR 3,000, i.e. TCZK 76,620).

As at 31 December 2018, the Group had a Contract for provision of a bank guarantee of TCZK 3,300 with Komerční banka, a.s. (2017: TCZK 3,300).

The Group concludes the financial guarantee contracts for the period of one year and they can be prolonged automatically. The maximal credit risk exposure relating to financial guarantee contracts at the maximum amount the Group could have to pay if the guarantee is called on is TCZK 205,800 (2017: TCZK 163,240).

#### 6.15. Provisions

The Group did not create provisions as at 31 December 2018 and 31 December 2017.

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

(in TCZK)

2018			
Bank accounts	21,810		
- current account	21,810		
- term account	0		
Fixed income securities held to maturity	0	Liabilities to members of CLF	21,810
<b>Total assets</b>	<b>21,810</b>	<b>Total liabilities</b>	<b>21,810</b>

(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>

## 7. ADDITIONAL INFORMATION ON CONSOLIDATED CASH FLOW STATEMENT FOR 2018

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

	(in TCZK)	
	As at 31 December 2018	As at 31 December 2017
Cash and bank accounts	317,443	145,448
<b>Total</b>	<b>317,443</b>	<b>145,448</b>

According to the CSDR regulation, the CSD is obliged to meet the capital requirement which is a requirement for the CSDR licence. The capital requirement must be kept in liquid assets throughout the term of the CSDR licence, therefore it is presented in long-term financial assets and is not presented in cash equivalents. The amount is TCZK 225,000 as of December 31, 2018 (2017: TCZK 220,000).

## 8. ADDITIONAL INFORMATION ACCORDING TO IFRS REQUIREMENTS

### 8.1. 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.

### 8.2. 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 assessed the concentration of risk with respect to the business activities and concluded it to be low. The Group has access to a sufficient variety of sources of funding.

The Group uses services of several financial institutions so the risk which is related to the cash on bank accounts is reduced. The Group actively monitors the rating of the banks it has deposits with and prohibits deposits with banks below the Investment grade rating.

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

	As at 31 December 2018	As at 31 December 2017
	(in TCZK)	
Long-term receivables	102	102
Other long-term financial assets	225,000	220,000
Trade receivables	149,781	106,825
Other financial assets	21,501	18,432
Financial assets at FVTPL	0	45,034
Cash	317,443	145,448
<b>Total</b>	<b>713,827</b>	<b>535,841</b>

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

(in TCZK)

2018	AAA	AA- / AA+	A- / A+	BBB	No rating	Total
Long-term receivables	0	0	0	0	102	102
Other long-term financial assets	0	225,000	0	0	0	225,000
Trade receivables	0	0	0	0	149,781	149,781
Other financial assets	0	0	0	0	21,501	21,501
Financial assets at FVTPL	0	0	0	0	0	0
Cash	0	25,372	271,785	20,163	123	317,443
<b>Total</b>	<b>0</b>	<b>250,372</b>	<b>271,785</b>	<b>20,163</b>	<b>171,507</b>	<b>713,827</b>

(in TCZK)

2017	AAA	AA- / AA+	A- / A+	BBB	No rating	Total
Long-term receivables	0	0	0	0	102	102
Other long-term financial assets	0	220,000	0	0	0	220,000
Trade receivables	0	0	0	0	106,825	106,825
Other financial assets	0	0	0	0	18,432	18,432
Financial assets at FVTPL	45,034	0	0	0	0	45,034
Cash	0	254	138,886	6,308	0	145,448
<b>Total</b>	<b>45,034</b>	<b>220,254</b>	<b>138,886</b>	<b>6,308</b>	<b>125,359</b>	<b>535,841</b>

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

#### 2018

Financial institution	Rating <sup>1</sup>
Česká národní banka	AA-
Komerční banka, a.s.	A
Česká spořitelna, a.s.	A
UniCredit Bank Czech Republic and Slovakia, a.s. <sup>2</sup>	BBB+
Clearstream Bank	AA
Euroclear Bank	AA

#### 2017

Financial institution	Rating
Česká národní banka	AA-
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 if they were granted a banking licence by CNB or are subject to the supervision of CNB.

<sup>1</sup> Ratings are taken from the company Standard & Poor's

<sup>2</sup> Rating not available, presented is rating of parent company UniCredit Bank Austria, AG

The Group is using so called “low credit risk” exception that allows for not tracking the changes in the credit risk since initial recognition, but directly recognizing the 12M ECL. The Group applies this approach for financial institutions with rating AAA – BBB+. There were no exposures outside this rating as at 31 December 2018 or for the year then ended.

### **Collectively impaired financial assets**

Historical loss rate associated with a time bucket and adjusted for forward looking information:

Company	Due	Up to 30 DPD	Up to 60 DPD	Up to 90 DPD	Up to 120 DPD	Up to 365 DPD	More than 365 DPD
PSE	0,03%	0,24%	0,78%	0,88%	0,88%	0,88%	100,00%
CSD	0,69%	8,72%	27,99%	34,78%	38,57%	41,01%	100,00%
EnCC	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
<b>Grand Total</b>	<b>0,47%</b>	<b>5,17%</b>	<b>16,62%</b>	<b>19,81%</b>	<b>20,96%</b>	<b>21,65%</b>	<b>100,00%</b>

Trade receivables:

(in TCZK)

Company	Due	Up to 30 DPD	Up to 60 DPD	Up to 90 DPD	Up to 120 DPD	Up to 365 DPD	More than 365 DPD	Total
PSE	3,433	0	0	0	0	0	845	4,278
CSD	26,248	405	86	227	37	553	4,208	31,764
EnCC	119,354	0	0	0	0	0	0	119,354
<b>Gross Balances in 2018</b>	<b>149,035</b>	<b>405</b>	<b>86</b>	<b>227</b>	<b>37</b>	<b>553</b>	<b>5,053</b>	<b>155,396</b>
<b>Gross Balances in 2017</b>	<b>106,341</b>	<b>381</b>	<b>121</b>	<b>170</b>	<b>97</b>	<b>584</b>	<b>5,076</b>	<b>112,770</b>

Impairments:

(in TCZK)

Company	Due	Up to 30 DPD	Up to 60 DPD	Up to 90 DPD	Up to 120 DPD	Up to 365 DPD	More than 365 DPD	Total
PSE	1	0	0	0	0	0	845	846
CSD	182	35	24	79	14	227	4,208	4,769
EnCC	0	0	0	0	0	0	0	0
<b>Impairments in 2018</b>	<b>183</b>	<b>35</b>	<b>24</b>	<b>79</b>	<b>14</b>	<b>227</b>	<b>5,053</b>	<b>5,615</b>
<b>Impairments in 2017</b>	<b>173</b>	<b>33</b>	<b>34</b>	<b>59</b>	<b>37</b>	<b>240</b>	<b>5,077</b>	<b>5,653</b>

At 31 December 2018 the Group recognized an impairment loss on trade receivables in a value of TCZK 5,615 (2017: TCZK 5,653); court action is underway for their enforcement and the likelihood of payment is minimal.

### **Overdue financial assets, not impaired**

(in TCZK)

Year	Ageing structure – overdue financial assets, not impaired					Total
	up to 60 days	up to 90 days	up to 180 days	up to 365s days	more than 1 year	
2018	432	148	350	0	0	930
2017	418	144	132	86	0	780

The Group records overdue and not impaired receivables in the amount of TCZK 930 as at 31 December 2018 (2017: TCZK 780). The Group did not recognize impairments on off-balance items as at 31 December 2018.



### 8.3. 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 6.14) 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 2018

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

(in TCZK)							
2018	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Unspecified	Total
<b>Assets</b>							
Tangible assets	0	0	0	0	0	7,801	7,801
Intangible assets	0	0	0	0	0	73,632	73,632
Investment associates	0	0	0	0	0	50,580	50,580
Long-term receivables and loans	0	0	0	0	102	0	102
Other long-term financial assets	0	0	0	0	0	225,000	225,000
Trade receivables and other receivables	148,866	25,772	0	0	0	0	174,638
Other assets	0	0	0	0	0	18,593	18,593
Financial assets at FVTPL	0	0	0	0	0	0	0
Cash	317,443	0	0	0	0	0	317,443
<b>Total assets</b>	<b>466,309</b>	<b>25,772</b>	<b>0</b>	<b>0</b>	<b>102</b>	<b>375,606</b>	<b>867,789</b>
<b>Liabilities</b>							
Deferred tax liability	0	0	0	0	0	11,841	11,841
Trade liabilities	122,311	0	0	0	0	0	122,311
Employee benefit payable	22,697	0	24,384	0	0	0	47,081
Other liabilities	14,493	0	0	0	0	0	14,493
Income tax payable	0	0	9,232	0	0	0	9,232
Short-term bank loans	3,440	0	0	0	0	0	3,440
<b>Total liabilities</b>	<b>162,941</b>	<b>0</b>	<b>33,616</b>	<b>0</b>	<b>0</b>	<b>11,841</b>	<b>208,398</b>
<b>Liquidity excess at 31.12.2018</b>	<b>303,368</b>	<b>25,772</b>	<b>(33,616)</b>	<b>0</b>	<b>102</b>	<b>363,765</b>	<b>659,391</b>

**Liquidity risk analysis at 31 December 2017:**

(in TCZK)

2017	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 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 financial 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
Financial assets at FVTPL	45,034	0	0	0	0	0	45,034
Cash	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>

**Derivatives**

The Group had no outstanding derivative contracts as at 31 December 2018 and 31 December 2017.

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

### 8.4.1. 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 2018. 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 2018, the financial loss decreases by TCZK 7,474 (2017: financial loss decreases by TCZK 6,606) with respect to the translation of assets and liabilities denominated in EUR with a corresponding increase in profit before tax for 2018.

Appreciation scenario: If the exchange rate of EUR to CZK decreases by CZK 3.5 as at 31 December 2018, the financial loss increases by TCZK 8,720 (2017: financial loss increases by TCZK 7,007) with respect to the translation of assets and liabilities denominated in EUR with a corresponding decrease in profit before tax for 2018.

**The following table shows the currency position of the Group as at 31 December 2018:**

	(in TCZK)				
	CZK	EUR	USD	GBP and other currencies	Total
<b>Assets</b>					
Tangible assets	7,801	0	0	0	7,801
Intangible assets	73,632	0	0	0	73,632
Investments in associated companies	50,580	0	0	0	50,580
Long-term receivables and loans	102	0	0	0	102
Other long-term financial assets	225,000	0	0	0	225,000
Trade receivables and other receivables	34,681	139,957	0	0	174,638
Other assets	18,593	0	0	0	18,593
Financial assets at FVTPL	0	0	0	0	0
Cash	276,702	40,708	6	27	317,443
<b>Total assets</b>	<b>687,091</b>	<b>180,665</b>	<b>6</b>	<b>27</b>	<b>867,789</b>
<b>Liabilities</b>					
Shareholders' equity	659,391	0	0	0	659,391
Deferred tax liability	11,841	0	0	0	11,841
Trade payables	7,664	113,133	1,514	0	122,311
Liabilities to employees	47,081	0	0	0	47,081
Other liabilities	14,493	0	0	0	14,493
Tax liability	9,232	0	0	0	9,232
Short-term bank loans	0	3,440	0	0	3,440
<b>Total liabilities</b>	<b>749,702</b>	<b>116,573</b>	<b>1,514</b>	<b>0</b>	<b>867,789</b>
<b>Net currency position as at 31 December 2018</b>	<b>(62,611)</b>	<b>64,092</b>	<b>(1,508)</b>	<b>27</b>	<b>0</b>

**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
Investments in associated companies	46,974	0	0	0	46,974
Long-term receivables and loans	102	0	0	0	102
Other long-term financial 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
Financial assets at FVTPL	45,034	0	0	0	45,034
Cash	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 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>

#### 8.4.2. 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.

Following tables show the split of the financial assets and liabilities based on the earlier of the date the interest rate is re-priced or contractual maturity.

##### Interest rate sensitivity as at 31 December 2018:

(in TCZK)						
2018	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Unspecified	Total
<b>Assets</b>						
Other long-term financial assets	0	0	0	0	225,000	225,000
Financial assets at FVTPL	0	0	0	0	0	0
Cash	317,443	0	0	0	0	317,443
<b>Total assets</b>	<b>317,443</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>225,000</b>	<b>542,443</b>
Current bank loans	3,440	0	0	0	0	3,440
<b>Total liabilities</b>	<b>3,440</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,440</b>

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

(in TCZK)						
2017	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Unspecified	Total
<b>Assets</b>						
Other long-term financial assets	0	0	0	0	220,000	220,000
Financial assets at FVTPL	0	0	45,034	0	0	45,034
Cash	145,448	0	0	0	0	145,448
<b>Total assets</b>	<b>145,448</b>	<b>0</b>	<b>45,034</b>	<b>0</b>	<b>220,000</b>	<b>410,482</b>
Current bank loans	61,586	0	0	0	0	61,586
<b>Total liabilities</b>	<b>61,586</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>61,586</b>

## 8.5. 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>2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Debt securities	0	0	0	0
<b>Total assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Short-term bank loans	0	3,440	0	3,440
<b>Total liabilities</b>	<b>0</b>	<b>3,440</b>	<b>0</b>	<b>3,440</b>

(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 2018 and 2017 there was no movement between the levels.

The carrying amount of other financial assets and financial liabilities approximates their fair values both as at 31 December 2018 and 2017.

## 8.6. 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 2018 for the Group shareholders amounts to CZK 824 per share (2017: CZK 203 per share).

**8.7. Application of IFRS 7 – Financial Instruments: Disclosures**

The Group's consolidated financial statements for the year ended 31 December 2018 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 2018:**

(In TCZK)				
Categories	Debt instruments at amortized costs	Financial assets at FVTPL	Financial liabilities at amortized costs	Financial liabilities FVTPL
<b>Classes</b>				
Long-term receivables	102	0	0	0
Other long-term financial assets	225,000	0	0	0
Trade receivables	149,781	0	0	0
Other financial assets	21,501	0	0	0
Securities held for trading	0	0	0	0
Cash and cash equivalents	317,443	0	0	0
Trade payables	0	0	122,311	0
Other financial liabilities	0	0	1,733	0
Short-term bank loans	0	0	3,440	0
<b>Total</b>	<b>713,827</b>	<b>0</b>	<b>127,484</b>	<b>0</b>

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

(In TCZK)				
Categories	Loans and receivables	Financial assets at FVTPL	Financial liabilities at amortized costs	Financial liabilities FVTPL
<b>Classes</b>				
Long-term receivables	102	0	0	0
Other long-term financial assets	220,000	0	0	0
Trade receivables and other receivables	125,257	0	0	0
Other assets	0	0	0	0
Securities held for trading	0	45,034	0	0
Cash and cash equivalents	145,448	0	0	0
Trade payables	0	0	49,323	0
Employee benefit payable	0	0	39,842	0
Other financial liabilities	0	0	2,439	0
Short-term bank loans	0	0	61,586	0
<b>Total</b>	<b>490,807</b>	<b>45,034</b>	<b>153,190</b>	<b>0</b>

## 9. 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 2018:

- 100% share of Wiener Börse AG;
- 99,543% (2017: 99,355%) share of Burza cenných papírů Praha, a.s.

The Company recognizes the following transactions with Wiener Börse AG:

(in TCZK)		
Revenues/Expenses	2018	2017
Agreement on information sale cooperation	40,225	36,235
Agreement regarding indices trading	116	136
Other revenues	1	1
<b>Revenues total</b>	<b>40,342</b>	<b>36,372</b>
Agreement on technical trading system XETRA	8,888	9,328
Web maintenance	753	672
Others	256	0
<b>Expenses total</b>	<b>9,897</b>	<b>10,000</b>

(in TCZK)		
Receivables/Payables	As at 31 December 2018	As at 31 December 2017
Agreement on information sale cooperation and PX index trading	20,428	18,005
Licence fees	116	134
<b>Trade receivables</b>	<b>20,544</b>	<b>18,139</b>
Agreement on technical trading system XETRA	0	281
Others	274	31
<b>Trade payables</b>	<b>274</b>	<b>312</b>

The Company recognised the following transactions with CEESEG AG:

(in TCZK)		
Revenues/Expenses	2018	2017
Insurance	62	93
<b>Service expenses total</b>	<b>62</b>	<b>93</b>
Other revenues	61	63
<b>Revenues total</b>	<b>61</b>	<b>63</b>

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

(in TCZK)		
Receivables/Payables	2018	2017
Trade receivables	241	64
Estimated receivables	2	2
<b>Receivables total</b>	<b>243</b>	<b>66</b>
Suppliers	0	0
VAT payables	259	30
Deferred revenues	467	195
Estimated payables	14	0
<b>Payables total</b>	<b>740</b>	<b>225</b>



Burza cenných papírů Praha, a.s.  
Consolidated financial statements prepared in accordance with International Financial Reporting Standards as  
adopted by the EU for the year ended 31 December 2018

---

	(in TCZK)	
<b>Revenues/Expenses</b>	<b>2018</b>	<b>2017</b>
FX losses	1	6
<b>Expenses total</b>	<b>1</b>	<b>6</b>
Fees for services	5,393	5,251
Rent	965	622
FX gains	3	2
<b>Revenues total</b>	<b>6,361</b>	<b>5,875</b>

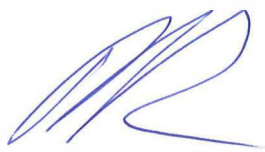
The terms of the transactions with the related party reflects the market prices. The transactions with key management personnel are in note 5.3 .

## 10. 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 2018.

Prague, 8 March 2019

Statutory body's signature:



---

Petr Kobic

Chairmen of the Exchange Chamber



---

Helena Čacká

Member of the Exchange Chamber

## **Independent Auditor's report**

(Translation of a report originally issued in Czech - see Note 2 to the consolidated financial statements.)

## 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. (hereinafter also the "Company") and its subsidiaries (the "Group") 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 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 information. For details of the Group, see Note 1 to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated 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, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation 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 Group 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 Matters*

The prior year consolidated financial statements of Burza cenných papírů Praha, a.s. Group were audited by another auditor whose report dated 8 March 2018 expressed an unqualified opinion on those statements.

### *Other Information*

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the consolidated Annual Report other than the consolidated financial statements and auditor's report thereon. The Board of Directors of the Company 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 law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these 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 the facts that are also presented in the consolidated financial statements is, in all material respects, consistent with the consolidated financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Group 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 Company's Board of Directors and Supervisory Board for the Consolidated Financial Statements*

The Board of Directors of the Company 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 Board of Directors 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 Board of Directors is responsible for assessing the Group'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 Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board of the Company is responsible for overseeing the Group'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 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 law or regulation, 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of the Company.



- Conclude on the appropriateness of the Board of Directors' 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 Group'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 Group 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 the Supervisory Board 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.

Ernst & Young Audit, s.r.o.  
License No. 401



Roman Hauptfleisch, Auditor  
License No. 2009

8 March 2019  
Prague, Czech Republic

## Contacts

### Address

Prague Stock Exchange (Burza cenných papírů Praha, a.s.)  
Rybná 14/682  
110 05 Praha 1  
Czech Republic

### Telephone numbers

Reception.....	+420 221 832 821
Media contact .....	+420 221 832 820
Trading.....	+420 221 832 146
Securities issuers .....	+420 221 832 169
Membership issues.....	+420 221 832 251
Dissemination of exchange information (in English or German) .....	+43 1 53 165 288

### Electronic communication

General mailbox .....	info@pse.cz
Dissemination of exchange information .....	marketdataservices@ceeseg.com
Electronic mail room – only for receipt of administrative proceeding filings bearing an electronic signature .....	posta@pse.cz
Data box .....	7xensbk
Website.....	www.pse.cz