



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

Consolidated  
**Annual Report 2019**

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## Company profile

The Prague Stock Exchange (Burza cenných papírů Praha, a.s.; PSE) is the largest and oldest securities market organiser in the Czech Republic. By law, PSE is a joint stock company. Its largest shareholder is CEESEG Aktiengesellschaft, with a 99.543% 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.

### Significance for investors

On the stock exchange, investors may purchase and sell securities at any time to generate profit. And why do investors choose the Prague Stock Exchange? Because of high dividends and knowledge of local companies, for example.

### Significance for companies

An initial public offering provides companies with sufficient capital to be used to finance investments and research or, for example, penetrate other markets. The PSE offers several markets suitable for different types of companies – from the elite Prime Market for large companies to START Market for smaller and innovative Czech companies.

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) 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 a trading platform for electricity and natural gas trading; as a member of the EEX Group, it develops products and services in the Central and Eastern Europe region and newly also in the Balkans. PXE also offers end customers to purchase electricity and natural gas.

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. The interwar period became the era of the 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 2019, PX Group achieved a business result that exceeded its target, primarily owing to revenues generated by the Central Securities Depository and the excellent results of PXE (POWER EXCHANGE CENTRAL EUROPE).*

*Unfortunately, the Prague Stock Exchange fell victim to the wave of declining trading volumes that affected all EU stock markets; as a result, the total trading volume dropped sharply in 2019. Given the very low ability to influence the absolute volumes traded on the stock exchange, the management focused on increasing the company's activity in the field of new issuers. The Stock Exchange integrated with its sales department the Equity Capital Market expertise, thus strengthening the department and becoming an important consultant for new potential issuers.*

*The START market continued to develop; the activity in this market is a promise of better future for the Czech capital market.*

*2019 was the first year for the Central Securities Depository to operate under the European CSD Regulation, which introduced, among other things, changes in corporate governance involving an extended Board of Directors to include independent members or a new user committee. The past year was successful in terms of increased number of new issues, the volume of settled non-exchange trades and transactions, and the total volume of assets in the central register, which was reflected in the company's good financial results. Among the new issues, particularly the very first issue of government bonds in euro in the central register, which reached a nominal value of EUR 1 billion during the year, was an important achievement. More successful issues can be expected with the launch of euro settlement in TARGET2.*

*PXE trading performance achieved the 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. Future increase in revenues is also expected from PXE's activities in the end customer market.*

**Petr Koblíček, 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

	2014	2015	2016	2017	2018	2019
Number of exchange days	250	249	252	250	249	250
<b>SHARES</b>						
Total trading volume (BCZK)	153.49	167.90	168.03	138.78	142.55	108.78
Average daily volume (MCZK)	613.95	674.28	666.78	555.13	572.49	435.12
Market capitalisation (BCZK)	1,040.29	1,100.47	1,044.46	1,252.58	21,261.96	22,054.22
Number of issues (year-end)	23	25	25	23	53	54
PX Index	946.71	956.33	921.61	1,078.16	986.56	1,115.63
PX-TR Index	1,384.89	1,455.91	1,481.56	1,830.91	1,766.18	2,109.39
PX-TRnet Index	-	-	-	-	-	1,753.63
PX-GLOB Index	1,183.83	1,240.95	1,198.40	1,449.97	1,342.44	1,498.28
<b>BONDS</b>						
Total trading volume (BCZK)	8.23	5.10	4.15	6.21	9.27	11.92
Number of issues (year-end)	116	112	115	116	112	118
<b>STRUCTURED PRODUCTS</b>						
Total trading volume (MCZK)	568.65	262.01	126.35	227.31	132.39	195.46
Number of issues (year-end)	68	89	71	61	72	84
<b>INVESTMENT SHARES AND INVESTMENT FUND'S UNITS</b>						
Total trading volume (MCZK)	-	0.00	62.66	87.28	42.86	33.76
Number of issues (year-end)	-	17	37	32	38	36

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

In 2019, the Prague Stock Exchange (PSE) generated revenue from its own services of TCZK 203,292 (2018: TCZK 198,845), which can be analysed as follows:

(in TCZK)	2019	2018
Stock exchange fees	37,402	46,394
Services relating to settlement of securities	33,192	62,185
Stock exchange information	41,167	40,391
Services for Centrální depozitář cenných papírů, a.s.	78,790	37,353
Services for POWER EXCHANGE CENTRAL EUROPE, a.s.	4,868	4,768
Other services	7,873	7,754
<b>Revenue from own services</b>	<b>203,292</b>	<b>198,845</b>

The increase in revenue from own services by 2.2% (TCZK 4,447) was due to a change in the structure of calculation of services for the Central Securities Depository, which also had an impact on the decline in settlement services. Stock exchange fees alone decreased by 19.4% (TCZK 8,992).

Operating profit increased by 9.3% (TCZK 6,480), i.e. to TCZK 76,286 (2018: TCZK 69,806), while profit/loss from financial operations decreased by 5.0% (TCZK 8,161), i.e. to TCZK 154,567. In the current period of 2019, the Company reported total profit after tax in the amount of TCZK 216,148 (2018: TCZK 218,397).

PSE's total assets as at 31 December 2019 amounted to TCZK 345,152 (2018: TCZK 353,286). Their structure was as follows:

(in TCZK)	2019	2018
Fixed assets (net)	122,456	122,659
Receivables and other current assets (net)	43,413	47,844
Cash (net)	179,283	182,783
<b>Total assets</b>	<b>345,152</b>	<b>353,286</b>

PSE's fixed assets also include long-term investments comprising PSE's ownership interests in corporations, amounting to TCZK 116,446 (2018: TCZK 116,446). On 30 April 2019, PSE's general meeting of shareholders decided to pay a share in profit of CZK 824 per share (the total shares in profit paid amounted to TCZK 218,316). The average number of employees was 32.5 in 2019 (2018: 31.3 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 material subsequent events that would have had an impact on the financial statements for the year ending 31 December 2019 and the PSE management is aware of them are mentioned in the notes.*

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

In 2019, the Group generated consolidated revenue of TCZK 490,689 (2018: TCZK 505,593), which can be analysed as follows:

(in TCZK)	2019	2018
Exchange trading fees	17,832	23,819
Administrative fees	19,569	22,574
Stock exchange information	40,996	40,276
Revenue from the settlement of trades	76,766	81,806
Fee for registration of an issue and related services	131,939	132,759
Fee for keeping records	158,260	160,256
Other services of CSD Prague	38,195	37,416
Other revenue from provided services	7,132	6,687
<b>Revenue</b>	<b>490,689</b>	<b>505,593</b>

Revenue fell by 2.9% (TCZK 14,904) compared to the previous period. The drop in revenues was mainly due to a drop in exchange trading fees by 25.1% (TCZK 5,987) and administrative fees by 13.3% (TCZK 3,005). In 2019, the Group reported comprehensive income, net of taxes, of TCZK 188,814 (2018: TCZK 208,935), which is lower by 9.6% than in 2018 (TCZK 20,121).

The Group's total assets as at 31 December 2019 amounted to TCZK 779,192 (2018: TCZK 867,789). Their structure was as follows:

(in TCZK)	2019	2018
Total fixed assets (net)	387,655	357,115
Receivables and other current assets (net)	96,167	193,231
Short-term financial assets (net)	295,370	317,443
<b>Total assets</b>	<b>779,192</b>	<b>867,789</b>

The average number of employees was 79.3 in 2019 (2018: 76.4 employees).

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



## Activities in 2019

### Trading

Throughout 2019, preparations took place for the transition to a new version of the trading system; the Exchange and the trading members were transferred from the existing Xetra® Classic to Xetra® T7. The first trading day on Xetra® T7 was 2 December 2019.

In September 2019, a new PX-TRnet exchange index was introduced; the index takes into account the net dividend amount. The number of corporate bond issues, which involve market maker (J&T banka) activities, increased to 31 issues in 2019; in addition, the following significant changes of issues were made:

- long-term suspension of trading in NESTLE issue (since June 2019)
- transfer of AVAST issue from unregulated market to regulated market in December 2019
- termination of trading in NWR issue in December 2019, following a long-term suspension of trading.

### START

Regular monthly trading on the START market commenced on 9 January 2019. The shares were traded in an open auction every other Wednesday of the month (except for the third Wednesday in May and December). None of the existing companies left the market during the year, and on 22 October 2019, KARO Invest shares were successfully subscribed.

For 2020, it is no longer necessary for public offers and the days of presentation of up-to-date information on the functioning of existing issuers (“Investor Relations Days”) to fall on the same day. The date of closing the order book for a public offering shall be determined by the issuer. Investor Relations Days with issuers’ presentations of their corporate results are set to take place on 28 April 2020 and 6 October 2020.

Trading days will continue to take place on a monthly basis (every other Wednesday of the month), with optional transition to daily trading in 2020.

#### 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

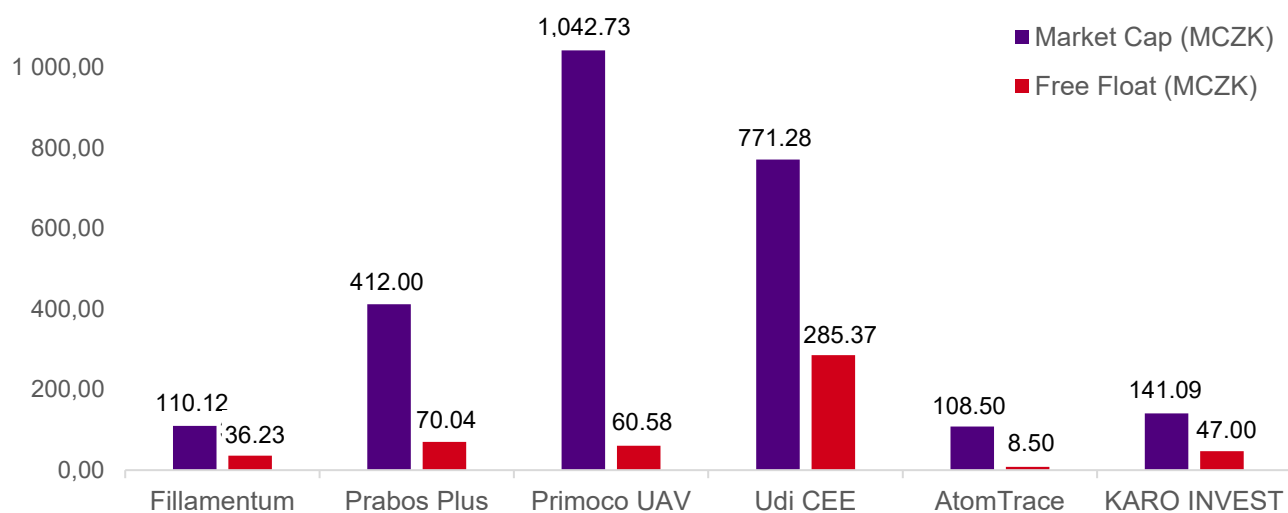
wishing to become shareholders

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.

Overview of START in 2019:

Number of issuers	Number of trading days	Number of new subscriptions	Total volume of new issues	Total traded volume	Total market value	Freefloat value
6	12	1	MCZK 40	MCZK 71	MCZK 2,586	MCZK 508

Overview of START issuers at 31 December 2019:



Changes in share prices in the START Market for 2019:

	Date of admission	Initial share price	Closing share price as at 31 Dec. 2019	Date of admission
Fillamentum	15 May 2018	CZK 825	CZK 855	3.64%
Prabos Plus	15 May 2018	CZK 400	CZK 412	3.00%
Primoco UAV	2 October 2018	CZK 250	CZK 240	(4.00)%
UDI CEE	2 October 2018	CZK 440	CZK 486	10.45%
AtomTrace	27 November 2018	CZK 50	CZK 50	0.00%
Karo Invest	22 October 2019	CZK 40	CZK 47	17.50%

## **Member affairs**

In 2019, there were no changes in the number of Exchange members – at the end of 2019, there were 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). The membership of 2 foreign companies is under negotiation; the key milestone for the decision, however, is Brexit.

## 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 2019 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 2019 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, 1010 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 2019 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 2019

Concerning a), the general meeting of 30 April 2019 approved BCPP's financial statements for 2018 and a motion for profit distribution in the amount of TCZK 218 496 by paying a share in profit of CZK 824 per share. No other acts pursuant to Section 82 (2) (d) of BCA were performed in the 2019 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 2019 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 2019 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. 4 dated 12 June 2019	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

11 May 2016	Master Framework Agreement (web services), as amended by Side Letter No. 3 dated 14 June 2019	Framework agreement on cooperation upon website implementation and operation, terminated as of 30 September 2019
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### Assessment of possible harm to the Controlled Entity

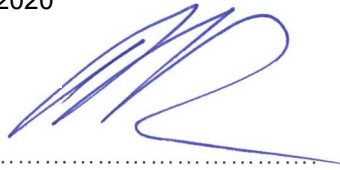
The Exchange Chamber represents that the Controlled Entity did not incur any harm resulting from the above agreements or from acts performed in accordance with Section 82 (2) (d) of BCA.

### 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, 6 March 2020



Petr Kobic  
Chairman of the Exchange Chamber



Ondřej Dusilek  
Member of the Exchange Chamber

## **Financial section**

### **Financial statements**



**FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2019**

**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:** 6 March 2020

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**BALANCE SHEET**  
**Long-form****Burza cenných papírů Praha, a.s.**  
**Business Identification Number: 471 15 629**as at 31 December 2019  
(in CZK thousands)Rybná 14/682  
110 05 Praha 1

		As at 31/ 12/ 2019			As at
		Gross	Allowances	Net	31/ 12/ 2018
<b>TOTAL ASSETS</b>	<b>001</b>	<b>415,079</b>	<b>(69,927)</b>	<b>345,152</b>	<b>353,286</b>
<b>B. Fixed assets</b>	<b>003</b>	<b>191,538</b>	<b>(69,082)</b>	<b>122,456</b>	<b>122,659</b>
<b>B.I. Intangible fixed assets</b>	<b>004</b>	<b>40,097</b>	<b>(38,567)</b>	<b>1,530</b>	<b>1,227</b>
<b>B.I.2. Valuable rights</b>	<b>006</b>	<b>39,517</b>	<b>(38,181)</b>	<b>1,336</b>	<b>1,227</b>
B.I.2.1. Software	007	39,517	(38,181)	1,336	1,227
B.I.4. Other intangible fixed assets	010	386	(386)	0	0
<b>B.I.5. Advances granted and intangible fixed assets in progress</b>	<b>011</b>	<b>194</b>	<b>0</b>	<b>194</b>	<b>0</b>
B.I.5.2. Intangible fixed assets in progress	013	194	0	194	0
<b>B.II. Tangible fixed assets</b>	<b>014</b>	<b>30,995</b>	<b>(26,515)</b>	<b>4,480</b>	<b>4,986</b>
B.II.2. Movable assets and sets of movable assets	018	30,995	(26,515)	4,480	4,986
<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	92,100	(4,000)	88,100	106,446
B.III.3. Interests – significant influence	030	10,000	0	10,000	10,000
<b>B.III.7. Other long-term investments</b>	<b>034</b>	<b>18,346</b>	<b>0</b>	<b>18,346</b>	<b>0</b>
B.III.7.1. Miscellaneous long-term investments	035	18,346	0	18,346	0
<b>C. Current assets</b>	<b>037</b>	<b>212,073</b>	<b>(845)</b>	<b>211,228</b>	<b>217,212</b>
<b>C.II. Receivables</b>	<b>046</b>	<b>32,790</b>	<b>(845)</b>	<b>31,945</b>	<b>34,429</b>
<b>C.II.1. Long-term receivables</b>	<b>047</b>	<b>629</b>	<b>0</b>	<b>629</b>	<b>397</b>
C.II.1.4. Deferred tax asset	051	542	0	542	310
<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>32,161</b>	<b>(845)</b>	<b>31,316</b>	<b>34,032</b>
C.II.2.1. Trade receivables	058	9,763	(845)	8,918	9,973
<b>C.II.2.4. Other receivables</b>	<b>061</b>	<b>22,398</b>	<b>0</b>	<b>22,398</b>	<b>24,059</b>
C.II.2.4.1. Receivables from partners	062	1,056	0	1,056	0
C.II.2.4.3. Due from government - tax receivables	064	0	0	0	3,222
C.II.2.4.4. Short-term advances granted	065	2	0	2	156
C.II.2.4.5. Unbilled revenue	066	21,315	0	21,315	20,662
C.II.2.4.6. Miscellaneous receivables	067	25	0	25	19
<b>C.IV. Cash</b>	<b>075</b>	<b>179,283</b>	<b>0</b>	<b>179,283</b>	<b>182,783</b>
C.IV.1. Cash in hand	076	42	0	42	36
C.IV.2. Cash at bank	077	179,241	0	179,241	182,747
<b>D. Prepaid expenses and accrued income</b>	<b>078</b>	<b>11,468</b>	<b>0</b>	<b>11,468</b>	<b>13,415</b>
D.1. Prepaid expenses	079	11,468	0	11,468	13,415

		As at 31/ 12/ 2019	As at 31/ 12/ 2018
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>082</b>	<b>345,152</b>	<b>353,286</b>
<b>A. Equity</b>	<b>083</b>	<b>316,499</b>	<b>318,667</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>180</b>	<b>99</b>
A.IV.1. Retained earnings	100	180	99
<b>A.V. Profit (loss) for the year (+/-)</b>	<b>102</b>	<b>216,148</b>	<b>218,397</b>
<b>B.+ C. PROVISIONS AND LIABILITIES</b>	<b>104</b>	<b>26,006</b>	<b>30,124</b>
<b>B. Provisions</b>	<b>105</b>	<b>4,184</b>	<b>920</b>
B.2. Provision for corporate income tax	107	2,548	390
B.4. Other provisions	109	1,636	530
<b>C. Liabilities</b>	<b>110</b>	<b>21,822</b>	<b>29,204</b>
<b>C.II. Current liabilities</b>	<b>126</b>	<b>21,822</b>	<b>29,204</b>
C.II.4. Trade payables	132	2,695	7,356
C.II.6. Liabilities – controlled or controlling entity	134	760	2,007
<b>C.II.8. Other liabilities</b>	<b>136</b>	<b>18,367</b>	<b>19,841</b>
C.II.8.1. Liabilities to partners	137	329	1,068
C.II.8.3. Liabilities to employees	139	5,840	5,828
C.II.8.4. Liabilities arising from social security and health insurance	140	2,446	2,520
C.II.8.5. Due to government – taxes and subsidies	141	1,761	1,770
C.II.8.6. Unbilled deliveries	142	7,790	8,437
C.II.8.7. Miscellaneous liabilities	143	201	218
<b>D. Accruals and deferred income</b>	<b>147</b>	<b>2,647</b>	<b>4,495</b>
D.1. Accruals	148	369	673
D.2. Deferred income	149	2,278	3,822

<b>INCOME STATEMENT</b>		<b>Burza cenných papírů Praha, a.s.</b>	
<b>By category</b>		<b>Business Identification</b>	
for the year ended		Rybná 14/682	
31 December 2019		110 05 Praha 1	
(in CZK thousands)			
		<b>Year ended</b>	<b>Year ended</b>
		<b>31/ 12/ 2019</b>	<b>31/ 12/ 2018</b>
I. Revenue from sale of finished products and services	001	203,292	198,845
A. Production-related consumption	003	58,860	67,329
A.2. Consumption of material and energy	005	1,459	1,253
A.3. Services	006	57,401	66,076
D. Personnel expenses	009	60,446	58,183
D.1. Wages and salaries	010	45,119	43,493
D.2. Social security and health insurance costs and other costs	011	15,327	14,690
D.2.1 Social security and health insurance costs	012	12,933	12,363
D.2.2. Other costs	013	2,394	2,327
E. Value adjustments in respect of operating activities	014	3,332	2,501
E.1. Value adjustments in respect of intangible and tangible fixed assets	015	3,332	2,594
E.1.1. Value adjustments in respect of intangible and tangible fixed assets - permanent	016	3,332	2,594
E.3. Value adjustments in respect of receivables	019	0	(93)
III. Other operating income	020	0	74
III.1. Income from sale of fixed assets	021	0	20
III.3. Miscellaneous operating income	023	0	54
F. Other operating expenses	024	4,368	1,100
F.3. Taxes and charges relating to operations	027	130	14
F.4. Provisions relating to operations and prepaid expenses (specific-purpose expenses)	028	1,107	(543)
F.5. Miscellaneous operating expenses	029	3,131	1,629
<b>* Profit or loss on operating activities (+/-)</b>	<b>030</b>	<b>76,286</b>	<b>69,806</b>
IV. Income from long-term investments - interests	031	153,400	162,600
IV.1. Income from interests in subsidiaries or parents	032	153,400	162,600
VI. Interest receivable and similar income	039	1,054	40
VI.2. Other interest receivable and similar income	041	1,054	40
VII. Other finance income	046	304	473
K. Other finance cost	047	191	385
<b>* Profit or loss on financial activities (+/-)</b>	<b>048</b>	<b>154,567</b>	<b>162,728</b>
<b>** Profit or loss before taxation (+/-)</b>	<b>049</b>	<b>230,853</b>	<b>232,534</b>
L. Income tax	050	14,705	14,137
L.1. Income tax due	051	14,937	14,086
L.2. Income tax deferred (+/-)	052	(232)	51
<b>** Profit or loss after taxation (+/-)</b>	<b>053</b>	<b>216,148</b>	<b>218,397</b>
<b>*** Profit or loss for the year (+/-)</b>	<b>055</b>	<b>216,148</b>	<b>218,397</b>
Net turnover	056	358,050	362,031

<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 2019 (in CZK thousands)		Rybná 14/682 110 05 Praha 1	
		Year ended 31/ 12/ 2019	Year ended 31/ 12/ 2018
<b>P. Cash and cash equivalents at beginning of year</b>	<b>001</b>	<b>182,783</b>	<b>23,764</b>
<b>Cash flows from operating activities</b>	<b>002</b>		
Z. Profit or loss on ordinary activities before taxation (+/-)	003	230,853	232,534
A.1. Adjustments to reconcile profit or loss to net cash provided by or used in operating activities	004	(150,627)	(160,542)
A.1.1. Depreciation and amortization of fixed assets and write-off of receivables	005	2,562	2,594
A.1.2. Change in allowances	006	0	(93)
A.1.3. Change in provisions	007	1,105	(543)
A.1.4. Foreign exchange differences	008	160	160
A.1.5. (Gain)/Loss on disposal of fixed assets	009	0	(20)
A.1.6. Interest expense and interest income	010	(1,054)	(40)
A.1.7. Other non-cash movements (e.g. revaluation at fair value to profit or loss, dividends received)	011	(153,400)	(162,600)
<b>A.* Net cash from operating activities before taxation, changes in working capital and extraordinary items</b>	<b>012</b>	<b>80,226</b>	<b>71,992</b>
A.2. Change in non-cash components of working capital	013	(4,723)	(2,324)
A.2.2. Change in trade receivables	015	986	(552)
A.2.3. Change in other receivables and in prepaid expenses and unbilled revenue	016	3,475	(8,625)
A.2.4. Change in trade payables	017	(4,611)	1,941
A.2.5. Change in other payables, and in accruals and deferred income	018	(4,573)	4,912
<b>A.** Net cash from operating activities before taxation, interest paid and extraordinary items</b>	<b>019</b>	<b>75,503</b>	<b>69,668</b>
A.4.1. Income tax paid	021	(12,782)	(14,103)
<b>A.*** Net cash provided by (used in) operating activities</b>	<b>022</b>	<b>62,721</b>	<b>55,565</b>
<b>Cash flows from investing activities</b>	<b>023</b>		
B.1.1. Purchase of fixed assets	024	(2,359)	(5,422)
B.2.1. Proceeds from sale of fixed assets	025	0	20
B.4.1. Interest received	027	1,054	40
B.5.1. Dividends received	028	153,400	162,600
<b>B.*** Net cash provided by (used in) investing activities</b>	<b>029</b>	<b>152,095</b>	<b>157,238</b>
<b>Cash flows from financing activities</b>	<b>030</b>		
C.2. Effect of other changes in equity on cash	032	(218,316)	(53,784)
C.2.2. Profit shares paid	034	0	(53,784)
<b>C.*** Net cash provided by (used in) financing activities</b>	<b>036</b>	<b>(218,316)</b>	<b>(53,784)</b>
<b>F. Net increase (decrease) in cash</b>	<b>037</b>	<b>(3,500)</b>	<b>159,019</b>
<b>R. Cash and cash equivalents at end of year</b>	<b>038</b>	<b>179,283</b>	<b>182,783</b>

**STATEMENT OF CHANGES IN EQUITY****Burza cenných papírů Praha, a.s.**  
**Business Identification Number: 471 15 629**for the year ended  
31 December 2019  
(in CZK thousands)Rybná 14/682  
110 05 Praha 1

	Registered capital	Own shares (own ownership interests)	Retained earnings	Profit (loss) for the year (+/-)	Total equity
<b>Balance at 31/ 12/ 2017</b>	<b>100,721</b>	<b>(550)</b>	<b>156</b>	<b>53,727</b>	<b>154,054</b>
Dividends paid	0	0	(57)	(53,727)	(53,784)
Purchase of own shares	0	0	0	0	0
Profit (loss) for the year (+/-)	0	0	0	218,397	218,397
<b>Balance at 31/ 12/ 2018</b>	<b>100,721</b>	<b>(550)</b>	<b>99</b>	<b>218,397</b>	<b>318,667</b>
Dividends paid	0	0	81	(218,397)	(218,316)
Purchase of own shares	0	0	0	0	0
Profit (loss) for the year (+/-)	0	0	0	216,148	216,148
<b>Balance at 31/ 12/ 2019</b>	<b>100,721</b>	<b>(550)</b>	<b>180</b>	<b>216,148</b>	<b>316,499</b>



## **1 GENERAL INFORMATION**

### **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**

In the course of 2019, a change occurred in the structure of the Exchange Chamber and Supervisory Board: membership in the Exchange Chamber of Ing. Helena Čacká was expired on 11 July 2019 and membership in the Exchange Chamber of new member Ing. Ondřej Dušilek was commenced on 3 October 2019. The membership in the Supervisory Board of Daniel Heler was expired on 11 July 2019, membership in the Supervisory Board of Ing. Helena Čacká was commenced on 3 October 2019

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 2019



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 2019 (2018: 99.543%).

#### 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 2019**

	<b>Position</b>	<b>Name</b>
<b>Exchange Chamber</b>	Chairman	Petr Koblic
	Vice-chairman	Christoph Boschan
	Member	Ludwig Niessen
	Member	Ondřej Dusílek
	Member	David Kučera
<b>Supervisory Board</b>	Member	Jan Vedral
	Member	Jan Sýkora
	Member	Martin Novák
	Member	Helena Čacká
	Member	Angelika Sommer-Hemetsberger
	Member	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 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.

## **2.6 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.

## **2.7 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.

## **2.8 Liabilities**

Long-term liabilities and current liabilities are carried at their nominal values. Amounts resulting from the revaluation of financial derivatives at fair value are shown in other payables.

Long-term liabilities and current liabilities to credit institutions are recorded at their nominal values. Any portion of long-term debt which is due within one year of the balance sheet date is classified as short-term debt.

## **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.

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 prepared these estimates and predictions based on all available relevant information. These estimates and assumptions are based on information available as at the date of the financial statements and may differ from actual results.

## **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 Notes 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 on an accrual basis.

## 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 2019, the VAT Group used an advance VAT coefficient of 100% (1 January 2018: 100%) to claim VAT deduction on input for the whole VAT Group for 2019. In the VAT return for December 2019 the Company calculated a settlement coefficient for 2019, amounting to 87% and representing an advance VAT coefficient for 2020. The difference between the deduction claimed on

the basis of advance coefficient during the whole calendar year and the VAT deduction calculated on the basis of settlement coefficient was settled in December 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 2019 or 2018.



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

(in CZK thousands)

Acquisition cost	Software	Other intangible FA	Intangible FA in progress	Total
<b>Balance as at 1 January 2018</b>	<b>41,963</b>	<b>3,900</b>	<b>0</b>	<b>45,863</b>
Additions	1,317	0	0	1,317
Disposals	0	0	0	0
<b>Balance as at 31 December 2018</b>	<b>43,280</b>	<b>3,900</b>	<b>0</b>	<b>47,180</b>
Additions	717	0	194	911
Disposals	(4,480)	(3,514)	0	(7,994)
<b>Balance as at 31 December 2019</b>	<b>39,517</b>	<b>386</b>	<b>194</b>	<b>40,097</b>

(in CZK thousands)

Accumulated amortization	Software	Other intangible FA	Intangible FA in progress	Total
<b>Balance as at 1 January 2018</b>	<b>41,869</b>	<b>3,900</b>	<b>0</b>	<b>45,769</b>
Additions	184	0	0	184
Disposals	0	0	0	0
<b>Balance as at 31 December 2018</b>	<b>42,053</b>	<b>3,900</b>	<b>0</b>	<b>45,953</b>
Additions	608	0	0	608
Disposals	(4,480)	(3,514)	0	(7,994)
<b>Balance as at 31 December 2019</b>	<b>38,181</b>	<b>386</b>	<b>0</b>	<b>38,567</b>

(in CZK thousands)

Net book value	Software	Other intangible FA	Intangible FA in progress	Total
Balance as at 1 January 2018	94	0	0	94
Balance as at 31 December 2018	1,227	0	0	1,227
Balance as at 31 December 2019	1,336	0	194	1,530

Additions to intangible fixed assets in the amount of CZK 911 thousand (2018: CZK 1,317 thousand) are represented by the purchase of software for web portal development and software for database store.

Disposals of fixed assets amounted to CZK 7,994 thousand (2018: CZK 0 thousand) and related to the disposal of a documentary film on Burza cenných papírů Praha, a.s. and the disposal of obsolete software.

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

(in CZK thousands)

	Amortization
2019	608
2018	184

In 2019 and 2018 no allowances against intangible fixed assets were created.

Intangible fixed assets of CZK 786 thousand (2018: CZK 797 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 2018</b>	<b>23,406</b>	<b>7,024</b>	<b>6,982</b>	<b>37 412</b>
Additions	3,358	587	173	4,118
Disposals	(4,848)	(1,616)	(3,504)	(9,968)
<b>Balance as at 31 December 2018</b>	<b>21,916</b>	<b>5,995</b>	<b>3,651</b>	<b>31,562</b>
Additions	1,815	97	306	2,218
Disposals	(2,347)	(163)	(275)	(2,785)
<b>Balance as at 31 December 2019</b>	<b>21,384</b>	<b>5,929</b>	<b>3,682</b>	<b>30,995</b>

(in CZK thousands)

Accumulated depreciation	Computer equipment	Furniture and fixtures	Low-value tangible assets	Total
<b>Balance as at 1 January 2018</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>3,390</b>	<b>26,576</b>
Additions	2,046	468	210	2,724
Disposals	(2,347)	(163)	(275)	(2,785)
<b>Balance as at 31 December 2019</b>	<b>17,760</b>	<b>5,430</b>	<b>3,325</b>	<b>26,515</b>

(in CZK thousands)

Net book value	Computer equipment	Furniture and fixtures	Low-value tangible assets	Total
Balance as at 1 January 2018	2,363	678	237	<b>3,278</b>
Balance as at 31 December 2018	3,855	870	261	<b>4,986</b>
Balance as at 31 December 2019	3,624	499	357	<b>4,480</b>

Additions to tangible fixed assets in the amount of CZK 2,218 thousand (2018: CZK 4,118 thousand) are represented by the acquisition of computer equipment in connection with the renewal of outdated computer equipment.

Disposals of tangible fixed assets amounted to CZK 2,785 thousand (2018: CZK 9,968 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)

	Depreciation
2019	2,724
2018	2,410

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 5,037 thousand as at 31 December 2019 (2018: CZK 5,070 thousand).

In 2019 and 2018 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 2019, the Company has cars under operating leases. The aggregate amount of lease payments, excluding VAT, made in 2019 was CZK 2,304 thousand (2018: CZK 2,244 thousand). The Company resides in the rented premises. Total lease payments relating to these premises (including back office premises) were CZK 7,699 thousand (2018: CZK 8,217 thousand).

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

	(in CZK thousands)	
	Balance as at 31 December 2019	Balance as at 31 December 2018
Due within one year	10,835	9,085
Due after one year but within five years	40,389	39,098
More than five years	1,665	10,472
<b>Total</b>	<b>52,889</b>	<b>58,655</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	429,469	64,141	36,476
Equity	371,946	50,739	9,547
Basic capital and capital funds	100,000	30,000	8,180
Reserves from profit	150,000	0	0
Retained earnings/ Accumulated loss	54	4,324	1,233
Profit/loss for the current year	121,892	16,415	134
Acquisition cost of share / interest	90,100	10,000	20,346
Dividends received during the year	147,500	5,900	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)				
Acquisition cost	Balance as at 31 December 2019	Additions	Disposals	Balance as at 31 December 2018
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)				
Allowance	Balance as at 31 December 2019	Additions	Disposals	Balance as at 31 December 2018
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)				
Net value	Balance as at 31 December 2019	Additions	Disposals	Balance as at 31 December 2018
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 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 2019	Balance as at 31 December 2018
<b>Cash, of which:</b>	<b>42</b>	<b>36</b>
- cash in hand	39	33
- valuables	3	3
<b>Bank accounts, of which:</b>	<b>179,241</b>	<b>182,747</b>
- current accounts	179,241	182,747
<b>Total short-term financial assets</b>	<b>179,283</b>	<b>182,783</b>

### 3.5 Receivables

#### 3.5.1 Trade receivables

(in CZK thousands)		
	Balance as at 31 December 2019	Balance as at 31 December 2018
<b>Short-term</b>		
- trade receivables (customers)	9,763	10,818
- other trade receivables	0	0
<b>Total trade receivables</b>	<b>9,763</b>	<b>10,818</b>
- allowances	(845)	(845)
<b>Total</b>	<b>8,918</b>	<b>9,973</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		
2019	Short-term	8,918	0	0	0	0	845	<b>9,763</b>
	Allowances	0	0	0	0	0	(845)	<b>(845)</b>
	<b>Net</b>	<b>8,918</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,918</b>
2018	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>

Unpaid trade receivables are not secured. The Company has receivables which are more than five years after maturity amounting to CZK 845 thousand (2018: CZK 845 thousand). These receivables are covered by allowances of 100%.

**3.5.3 Allowances against receivables**

(in CZK thousands)

Allowances against receivables	2019	2018
Balance as at 1 January	845	939
Release	0	(94)
<b>Balance as at 31 December</b>	<b>845</b>	<b>845</b>

**3.5.4 Due from government - tax receivables**

(in CZK thousands)

	Balance as at 31 December 2019	Balance as at 31 December 2018
Value added tax	0	3,222
<b>Total</b>	<b>0</b>	<b>3,222</b>

In 2019 a liability to government arose from a VAT settlement (see Note 3.9.5).

**3.5.5 Unbilled revenue**

(in CZK thousands)

Name of the company	Balance as at 31 December 2019	Balance as at 31 December 2018
Not invoiced estimates - cleaning	0	19
Not invoiced stock exchange information from Wiener Börse AG	20,996	20,428
Not invoiced lease-related services	319	215
<b>Total unbilled revenue</b>	<b>21,315</b>	<b>20,662</b>

The amount of unbilled revenue is mainly comprised of not-invoiced services related to selling of exchange information in the amount of CZK 20,996 thousand (2018: CZK 20,428 thousand).

**3.5.6 Receivables from group companies**

(in CZK thousands)		
Name of the company	Balance as at 31 December 2019	Balance as at 31 December 2018
<b>Short-term trade receivables</b>		
Centrální depozitář cenných papírů, a.s.	6,523	6,538
POWER EXCHANGE CENTRAL EUROPE, a.s.	156	192
Energy Clearing Counterparty, a.s.	2	2
Wiener Börse AG (fellow subsidiary)	172	116
CEEESE AG (parent company)	60	60
<b>Total</b>	<b>6,913</b>	<b>6,908</b>

(in CZK thousands)		
Name of the company	Balance as at 31 December 2019	Balance as at 31 December 2018
<b>Unbilled revenue</b>		
Centrální depozitář cenných papírů, a.s.	0	16
POWER EXCHANGE CENTRAL EUROPE, a.s.	0	2
Energy Clearing Counterparty, a.s.	0	1
Wiener Börse AG (fellow subsidiary)	20,996	20,428
<b>Total</b>	<b>20,996</b>	<b>20,447</b>

No receivables from group companies are overdue.

**3.6 Prepaid expenses and accrued income**

(in CZK thousands)		
	Balance as at 31 December 2019	Balance as at 31 December 2018
IT	3,580	6,159
Rental, incl. related services	7,143	6,627
Insurance	93	118
Other	652	511
<b>Prepaid expenses</b>	<b>11,468</b>	<b>13,415</b>
<b>Total prepaid expenses and accrued income</b>	<b>11,468</b>	<b>13,415</b>

### 3.7 Equity

#### 3.7.1 Registered capital

The Company's registered capital recorded in the Commercial Register as at 31 December 2019 of CZK 100,721 thousand (2018: CZK 100,721 thousand) is divided into 265,056 registered shares with a nominal value of CZK 380 per share (2018: CZK 380).

#### 3.7.2 Profit for the year 2018 distribution and planned distribution of profit for the year 2019

Profit for 2018 of CZK 218,397 thousand was approved and distributed based on the decision of the General Meeting held on 30 April 2019. The total profit distribution was CZK 218,316 thousand. The difference of CZK 81 thousand was transferred to retained profits.

The Company plans to distribute profit for 2019 in the amount of CZK 216,148 thousand as profit share.

### 3.8 Provisions

	(in CZK thousands)	
	Provision for corporate income tax	Other provisions
<b>Balance as at 1 January 2019</b>	<b>390</b>	<b>530</b>
Utilization	(390)	(530)
Additions	2,548	1,636
<b>Balance as at 31 December 2019</b>	<b>2,548</b>	<b>1,636</b>

	(in CZK thousands)	
	2019	2018
Provision for corporate income tax	2,548	390
Other provisions	1,636	530
<b>Balance as at 31 December</b>	<b>4,184</b>	<b>920</b>

In 2019, the Company paid advances for corporate income tax of CZK 13,688 thousand (2018: CZK 14,356 thousand). The tax liability for 2019 amounted to CZK 16,236 thousand (2018: CZK 14,746 thousand). The final provision is CZK 2,548 thousand (2018: CZK 390 thousand).

As at 31 December 2019, a provision was recognized for untaken vacation of employees in the amount of CZK 1,636 thousand (2018: CZK 0).

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

	(in CZK thousands)	
Short-term trade payables and received advances	Balance as at 31 December 2019	Balance as at 31 December 2018
Short-term		
- trade payables (suppliers)	2,695	7,356
<b>Total trade payables</b>	<b>2,695</b>	<b>7,356</b>

None of trade payables is past due or secured.

**3.9.2 Liabilities – controlled or controlling entity**

As at 31 December 2019 the Company had a liability to EnCC of CZK 760 thousand (2018: CZK 2,007 thousand), due to signed agreement on provision of compensation payments.

**3.9.3 Liabilities to employees**

As at 31 December 2019 the Company had liabilities to employees of CZK 5,840 thousand (2018: CZK 5,828 thousand).

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

As at 31 December 2019 social security and health insurance liabilities amounted to CZK 2,446 thousand (2018: CZK 2,520 thousand), of which CZK 1,322 thousand (2018: CZK 1,383 thousand) were social security liabilities and CZK 1,124 thousand (2018: 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 2019	Balance as at 31 December 2018
Other direct taxes	1,712	1,770
Value added tax	49	0
<b>Total</b>	<b>1,761</b>	<b>1,770</b>

As at 31 December 2019 the Company had a payable arising from the taxation of employees' wages of CZK 1,712 thousand. None of these liabilities is past due.

In November and December 2019, the VAT clearing in the VAT Group amounted to CZK 321 thousand (2018: CZK 0 thousand). The liability 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 272 thousand (2018: CZK 0 thousand) that will be exercised in January 2020. It concerns payments received in 2019 where the date of making taxable supplies was determined for January 2020.



### 3.9.6 Unbilled deliveries

Unbilled deliveries of CZK 7,790 thousand (2018: CZK 8,437 thousand) primarily include estimated employee bonuses of CZK 7,553 thousand (2018: CZK 8,264 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 2019	Balance as at 31 December 2018
<b>Short-term trade payables</b>		
Centrální depozitář cenných papírů, a.s.	17	15
Wiener Börse AG	0	273
<b>Total</b>	<b>17</b>	<b>288</b>

(in CZK thousands)		
Name of the company	Balance as at 31 December 2019	Balance as at 31 December 2018
<b>Liabilities – controlled or controlling entity</b>		
Energy Clearing Counterparty, a.s.	760	2,007
<b>Total</b>	<b>760</b>	<b>2,007</b>

(in CZK thousands)		
Name of the company	Balance as at 31 December 2019	Balance as at 31 December 2018
<b>Liabilities to partners</b>		
Centrální depozitář cenných papírů, a.s.	181	798
POWER EXCHANGE CENTRAL EUROPE, a.s.	137	259
Energy Clearing Counterparty, a.s.	11	11
<b>Total</b>	<b>329</b>	<b>1,068</b>

Liabilities to partners comprise mainly payables relating to VAT.

(in CZK thousands)		
Name of the company	Balance as at 31 December 2019	Balance as at 31 December 2018
<b>Unbilled deliveries</b>		
Centrální depozitář cenných papírů, a.s.	144	99
POWER EXCHANGE CENTRAL EUROPE, a.s.	20	14
Energy Clearing Counterparty, a.s.	3	2
<b>Total</b>	<b>167</b>	<b>115</b>

(in CZK thousands)		
Name of the company	Balance as at 31 December 2019	Balance as at 31 December 2018
<b>Deferred income</b>		
Centrální depozitář cenných papírů, a.s.	1,977	3,287
POWER EXCHANGE CENTRAL EUROPE, a.s.	258	466
Energy Clearing Counterparty, a.s.	43	69
<b>Total</b>	<b>2,278</b>	<b>3,822</b>

### 3.10 Accruals and deferred income

	(in CZK thousands)	
	Balance as at 31 December 2019	Balance as at 31 December 2018
<b>Accruals</b>	<b>369</b>	<b>673</b>
Other	369	673
<b>Deferred income</b>	<b>2,278</b>	<b>3,822</b>
Rental and related services	2,278	3,822
<b>Total accruals and deferred income</b>	<b>2,647</b>	<b>4,495</b>

### 3.11 Deferred tax

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

	(in CZK thousands)	
Deferred tax	Balance as at 31 December 2019	Balance as at 31 December 2018
Difference between net book value of fixed assets for accounting and tax purposes	(131)	(189)
Provisions	311	101
Social and health insurance	362	398
Deferred tax asset (+) / liability (-)	542	310
<b>Revenue (+) / expense (-) from change of deferred tax asset</b>	<b>232</b>	<b>(51)</b>

The deferred tax as at 31 December 2019 is calculated at the tax rate of 19% (the tax rate for 2019 and later) depending on the period in which the reversal of temporary differences is expected.

The deferred tax as at 31 December 2019 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)	
	2019	2018
Profit before tax	230,853	232,534
Theoretical tax at a tax rate of 19% (2018: 19%)	43,862	44,181
Tax effect of tax non-deductible expenses	1,528	1,542
Tax effect of income not subject to tax	(29,154)	(30,977)
<b>Total tax</b>	<b>16 236</b>	<b>14 746</b>
Refund of tax of prior years	(1,299)	(660)
<b>Current tax</b>	<b>14,937</b>	<b>14,086</b>
Change in deferred tax	(232)	51
<b>Total income tax on ordinary activity</b>	<b>14,705</b>	<b>14,137</b>

	(in CZK thousands)	
	2019	2018
<b>Total tax</b>	<b>16,236</b>	<b>14,746</b>
Income tax prepayment made	13,688	14,356
<b>Income Tax Receivable (-) / Provision (+)</b>	<b>2,548</b>	<b>390</b>

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

(in CZK thousands)

	2019			2018		
	Domestic	Foreign	Total	Domestic	Foreign	Total
<b>Stock exchange fees</b>	<b>31,289</b>	<b>6,113</b>	<b>37,402</b>	<b>39,161</b>	<b>7,233</b>	<b>46,394</b>
Annual trading fees	5,980	1,840	7,820	5,980	1,878	7,858
Listing fees	10,063	1,686	11,749	11,787	2,929	14,716
Trading fees	15,246	2,587	17,833	21,394	2,426	23,820
Services relating to settlement	33,192	0	33,192	62,185	0	62,185
Stock exchange information	0	41,167	41,167	51	40,340	40,391
Services for PXE	4,868	0	4,868	4,768	0	4,768
Services for CDCP - securities register	78,790	0	78,790	37,353	0	37,353
Other	7,873	0	7,873	7,754	0	7,754
<b>Total revenues</b>	<b>156,012</b>	<b>47,280</b>	<b>203,292</b>	<b>151,272</b>	<b>47,573</b>	<b>198,845</b>

**3.14 Cost of services**

(in CZK thousands)

	2019	2018
Repairs and maintenance	804	850
Travel expenses	1,252	916
Representation costs	432	428
Rental and services	11,914	12,393
Operating leases of cars	2,304	2,244
Advisory and legal services	10,797	11,969
Audit	1,913	1,725
Promotion	5,153	6,588
IT services	17,722	17,475
Training, workshops, conferences	644	786
Other services	4,466	10,702
<b>Total services</b>	<b>57,401</b>	<b>66,076</b>

**3.15 Other operating income**

(in CZK thousands)

	2019	2018
Income from written-off receivables	0	53
Income from sale of fixed assets	0	20
Other operating income	0	1
<b>Total other operating income</b>	<b>0</b>	<b>74</b>

**3.16 Miscellaneous operating expenses**

(in CZK thousands)

	2019	2018
Gifts	40	340
Insurance premiums	385	379
Write-off of receivables	0	93
VAT coefficient impact	1,406	0
Membership payments to associations	37	21
Other operating expenses	1,263	796
<b>Total miscellaneous operating expenses</b>	<b>3,131</b>	<b>1,629</b>

**3.17 Finance income**

	(in CZK thousands)	
	2019	2018
<b>Income from long-term investments - interests</b>	<b>153,400</b>	<b>162,600</b>
- dividends received from subsidiaries (CDCP)	147,500	160,300
- dividends received from associates (PXE)	5,900	2,300
<b>Other finance income</b>	<b>304</b>	<b>473</b>
- foreign exchange gains	304	473
<b>Interest receivable and similar income</b>	<b>1,054</b>	<b>40</b>
- bank accounts	1,054	40
<b>Total finance income</b>	<b>154,758</b>	<b>163,113</b>

**3.18 Finance cost**

	(in CZK thousands)	
	2019	2018
<b>Other finance cost</b>	<b>191</b>	<b>385</b>
- foreign exchange losses	91	280
- other bank fees	82	92
- bank guarantees	18	13
<b>Total finance cost</b>	<b>191</b>	<b>385</b>

**3.19 Related party transactions****3.19.1 Revenues from related party transactions**

2019 (in CZK thousands)				
Entity	Relation to the Company	Sales of services	Finance income	Total
Centrální depozitář cenných papírů, a.s.	subsidiary	106,461	147,509	253,970
Energy Clearing Counterparty, a.s.	subsidiary	120	0	120
POWER EXCHANGE CENTRAL EUROPE, a.s.	associate	5,810	5,902	11,712
CEESEG AG	parent company	60	0	60
Wiener Börse AG	fellow subsidiary	41,144	112	41,256
<b>Total revenues</b>		<b>153,595</b>	<b>153,523</b>	<b>307,118</b>

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>

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

2019					
(in CZK thousands)					
Entity	Relation to the Company	Services	Operating expenses	Finance cost	Total
Centrální depozitář cenných papírů, a.s.	subsidiary	206	0	0	206
Energy Clearing Counterparty, a.s.	subsidiary	760	0	0	760
CEESEG AG	parent company	0	31	0	31
Wiener Börse AG	fellow subsidiary	9,834	0	29	9,863
<b>Total cost</b>		<b>10,800</b>	<b>31</b>	<b>29</b>	<b>10,860</b>

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>

In addition to fulfillment under contracts signed in compliance with the analysis of transfer prices, the Company received also services 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 2019 and 2018:

2019	Headcount	Total personnel expenses (in CZK thousands)
Employees	26	35,954
Management	7	19,551
<b>Total</b>	<b>33</b>	<b>55,505</b>

2018	Headcount	Total personnel expenses (in CZK thousands)
Employees	24	34,146
Management	7	19,303
<b>Total</b>	<b>31</b>	<b>53,449</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 2,394 thousand (2018: CZK 2,327 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 2019 and 2018, total personnel expenses and other fulfilment provided to the members of the Exchange Chamber and the Company management were as follows:

	(in CZK thousands)		
2019	Exchange Chamber	Management	Total
Remuneration provided to statutory bodies members	2,547	0	2,547
Life insurance and supplementary pension insurance contributions	0	295	295
Cars available also for personal purposes	0	1,335	1,335
<b>2018</b>			
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

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 2019 and 2018.

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 2019 amounting to CZK 3,300 thousand (2018: 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 213,280 thousand (2018: CZK 205,800 thousand).

##### 4.3.2 Legal disputes

As at 31 December 2019 and 31 December 2018, 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>2019</b>	<b>2018</b>
Revenues	7	0
Expenses	3	3
<b>Profit</b>	<b>4</b>	<b>(3)</b>
<b>Financial assets</b>	<b>1,418</b>	<b>1,414</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 2019.

Prague, 6 March 2020

Statutory body signature:

Petr Kobic

CEO and Chairman of the Exchange Chamber



.....

Ondřej Dušilek

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 2019, 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 2019, 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 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

6 March 2020  
Prague, Czech Republic

## **Consolidated financial statements**

**CONSOLIDATED FINANCIAL STATEMENTS 2019**  
**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>6 March 2020</b>

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 2019**

	Note	2019 TCZK	2018 TCZK
Revenues	5.1	490,689	505,593
Services	5.2	(82,202)	(90,433)
Employee benefit expenses	5.3	(135,690)	(134,881)
Depreciation and amortization expenses	5.4	(37,797)	(25,823)
Change in provisions and allowances for receivables		(2,927)	330
Other operating income	5.5	11,936	11,397
Other operating expenses	5.6	(16,918)	(12,528)
<b>Profit from operating activities</b>		<b>227,091</b>	<b>253,655</b>
Financial income	5.7	3,999	7,751
Financial expense	5.8	(3,947)	(9,207)
Share of profit of associates	5.10	5,428	5,906
<b>Net financial income</b>		<b>5,480</b>	<b>4,450</b>
<b>Profit before income tax</b>		<b>232,571</b>	<b>258,106</b>
Income tax expense	5.9	(43,757)	(49,171)
<b>Profit from continuing operations</b>		<b>188,814</b>	<b>208,935</b>
Attributable to:			
<i>Equity holders of the parent</i>		187,952	207,981
<i>Non-controlling interests</i>		862	954
		<b>188,814</b>	<b>208,935</b>
Other comprehensive income for the period		0	0
<b>Total comprehensive income for the period</b>		<b>188,814</b>	<b>208,935</b>
Attributable to:			
<i>Equity holders of the parent</i>		187,952	207,981
<i>Non-controlling interests</i>		862	954
		<b>188,814</b>	<b>208,935</b>

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019**

	Note	31.12.2019 TCZK	31.12.2018 TCZK
<b>NON-CURRENT ASSETS</b>			
Property and equipment	6.1	9,594	7,801
Intangible assets	6.2	54,139	73,632
Right-of-use assets	6.3	48,712	0
Investments in associated companies	6.4	50,108	50,580
Long-term receivables and loans		102	102
Financial assets at amortized cost	6.5	74,822	0
Other long-term financial assets	6.6	150,178	225,000
<b>Total non-current assets</b>		<b>387,655</b>	<b>357,115</b>
<b>CURRENT ASSETS</b>			
Trade receivables and other receivables	6.7	78,948	174,638
Income tax receivable	5.9	441	0
Other assets	6.8	16,778	18,593
Cash	6.9	295,370	317,443
<b>Total current assets</b>		<b>391,537</b>	<b>510,674</b>
<b>TOTAL ASSETS</b>		<b>779,192</b>	<b>867,789</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6.10.1	100,262	100,262
Treasury shares	6.10.2	(550)	(550)
Other funds	6.10.3	159,170	159,170
Retained earnings		368,130	397,385
Equity attributable to equity holders of the parent		627,012	656,267
Non-controlling interests		2,878	3,124
<b>Total shareholders' equity</b>		<b>629,890</b>	<b>659,391</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liability	6.11	7,609	11,841
Long-term lease liabilities	6.12	39,435	0
<b>Total non-current liabilities</b>		<b>47,044</b>	<b>11,841</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	6.13	32,232	122,311
Employee benefit payable	6.14	44,072	47,081
Lease liabilities	6.12	11,046	0
Other current liabilities	6.15	12,919	14,493
Income tax payable	5.9	0	9,232
Current bank loans	6.16	1,989	3,440
<b>Total current liabilities</b>		<b>102,258</b>	<b>196,557</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>779,192</b>	<b>867,789</b>

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 2019**

	(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 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
Purchase of own shares	190	0	245	516	951	(951)	0
<b>Total transactions with owners of the Company</b>	<b>190</b>	<b>0</b>	<b>30,108</b>	<b>(82,908)</b>	<b>(52,610)</b>	<b>(1,174)</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>
<b>Comprehensive income</b>							
Profit	0	0	0	187,952	187,952	862	188,814
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>187,952</b>	<b>187,952</b>	<b>862</b>	<b>188,814</b>
<b>Transactions with owners of the Company</b>							
Dividends	0	0	0	(217,409)	(217,409)	(906)	(218,315)
Additions to funds	0	0	0	0	0	0	0
Changes in majority share	0	0	0	202	202	(202)	0
<b>Total transactions with owners of the Company</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(217,207)</b>	<b>(217,207)</b>	<b>(1,108)</b>	<b>(218,315)</b>
<b>Balance at 31 December 2019</b>	<b>100,262</b>	<b>(550)</b>	<b>159,170</b>	<b>368,130</b>	<b>627,012</b>	<b>2,878</b>	<b>629,890</b>

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

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2019**

	Note	31.12.2019 TCZK	31.12.2018 TCZK
<b>Profit for the period</b>		<b>188,814</b>	<b>208,935</b>
<b>Adjustments for non-cash transactions:</b>			
Income tax	5.9	43,757	49,171
Depreciation of property and equipment	6.1	4,536	4,732
Amortization of intangible assets	6.2	21,611	21,091
Depreciation of right-of-use	6.3	11,650	0
Gain on disposal of property		0	(20)
Share of profit of associates	5.10	(5,428)	(5,906)
Change in allowances for receivables	6.7	(41)	(330)
Change in provisions		(2,425)	(543)
Interest income	5.7	(1,594)	(40)
Interest expense including leases	5.8	542	221
<b>Net operating cash flow before taxation and interest</b>		<b>261,422</b>	<b>277,311</b>
(Increase)/decrease in accounts receivable		97,546	(50,692)
Increase/(decrease) in accounts payable		(92,237)	82,884
Change in other long-term financial assets	6.6	0	(5,000)
Interest received	5.7	1,594	40
Interest paid	5.8	(27)	(221)
Income tax paid		(57,662)	(55,489)
<b>Net cash flow from operating activities</b>		<b>210,636</b>	<b>248,833</b>
Acquisition of tangible fixed assets	6.1	(6,329)	(7,096)
Acquisition of intangible fixed assets	6.2	(2,118)	(5,166)
Property, equipment and intangible assets sale		0	20
Maturity of financial assets at fair value through profit and loss		0	45,034
Dividends received from associates	6.4	5,900	2,300
<b>Net cash flow from investing activities</b>		<b>(2,547)</b>	<b>35,092</b>
Financial lease payments	6.3	(10,396)	0
Loans repayments	6.16	(3,440)	(61,586)
Loan drawings	6.16	1,989	3,440
Dividends paid and payments made from funds		(218,315)	(53,784)
<b>Net cash flow from financing activities</b>		<b>(230,162)</b>	<b>(111,930)</b>
<b>Net increase/decrease in cash and cash equivalents</b>		<b>(22,073)</b>	<b>171,995</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>317,443</b>	<b>145,448</b>
<b>Cash and cash equivalents at the end of the year</b>	6.9	<b>295,370</b>	<b>317,443</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	
			2019	2018
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%

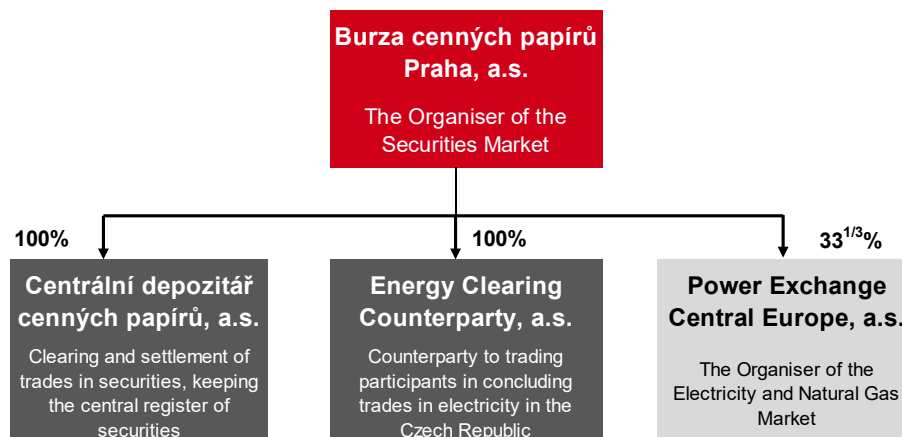
All companies stated above have their registered office at: Praha 1, Rybná 682/14, PSČ 110 05.

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 2019



From 8 December 2008, the majority owner of the consolidated group is CEESEG AG, which holds a 99.543% share as at 31 December 2019 (2018: 99.543%).

## 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 Czech 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 2019. 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 and 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 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- 1) In the principal market for the asset or liability, or



2) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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.

### **3.5 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.

### **3.6 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.

### **3.7 Financial assets**

The Group classifies its financial assets in the following category:

- 1) Financial assets at amortized cost (AC) – debt 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

### **3.7.1 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 and Czech government bonds or treasury bills.

### 3.8 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.

#### 3.8.1 *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.

#### 3.8.2 *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.

### 3.9 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:

Description	Depreciation/amortization period in years
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.

### **3.10 Leases**

The Group assesses at contract inception whether a contract contains a lease. That is, if the contract conveys the right to control the use of an identified asset for a time period in exchange for consideration.

For lease contract affecting the current financial statements the Group is only in the position of a lessee.

Where the Group is a lessee it applies a single recognition and measurement approach for all leases including short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### **3.10.1 Right-of-use assets**

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Description	Depreciation/amortization period in years
Office premises	6
Motor vehicles	3-4

The right-of-use assets are also subject to impairment, see the Note 3.13.

#### **3.10.2 Lease liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date unless the interest rate implicit in the lease is readily determinable.

### **3.11 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".

### **3.12 Impairment of financial assets**

#### **3.12.1 Overview of the ECL principles**

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 (12mECL). 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 or LTECL).

Based on the above process, the Group sorts its debt instruments into Stage 1, Stage 2, Stage 3, as described below:

- Stage 1: When debt instruments are first recognised, the Group recognises an allowance based on 12mECL.
- Stage 2: When debt instruments has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECL.

- Stage 3: Debt instruments considered credit-impaired the Group records an allowance for the LTECL.

### **3.12.2 The Calculation of ECL**

The Group calculates ECL based on a four probability-weighted scenario to measure the expected cash shortfalls, discounted at an approximation to the EIR.

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

- PD The *Probability of Default* is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period.
- EAD The *Exposure at Default* is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date
- LD The *Loss Given Default* is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive.
- FLI The *Forward-Looking Information* as economic inputs, such as GDP growth, unemployment rates, central bank base rates and house price indices are considered for a calculation of ECL.
- Dt The *Discount factor*.

#### **Trade receivables and contract assets**

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.

#### **Other debt instruments**

The Group's financial assets at amortized costs comprise the Czech government bonds or treasury bills that are in the top investment category by the Moody's (2019: Aa3) and S&P (2019: AA). Therefore, these debt instruments are considered to be low credit risk investments. It is a Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

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 the original effective interest rate or its approximation.

### **3.13 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.

### **3.14 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* in amount of TCZK 683 as of 31 December 2019 (2018: TCZK 684). 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, connection fee, 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, upfront listing fee, 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.

### **3.15 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 2019, 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.



### **3.16 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.

### **3.17 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)".

### **3.18 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".

### **3.19 Clearing fund and collateral fund**

#### **3.19.1 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.

### **3.19.2 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.

### **3.20 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.

### **3.21 Changes in the accounting policies and disclosures**

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 2019 and were adopted by the European Union.

#### **3.21.1 IFRS 16 Leasing**

The Group applied IFRS 16 Leases for the first time. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of the initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of the initial application to retained earnings without any additional impact on other statements except the statement of financial position at 1 January 2019.

The impact on consolidated statement of financial position as at January 1, 2019 is, as follows:

	31.12.2018	IFRS 16 impact on consolidated statement of financial position as at 1.1.2019
	TCZK	TCZK
<b>NON-CURRENT ASSETS</b>		
Right-of-use assets	0	60,242
<b>Total non-current assets</b>	<b>357,115</b>	<b>60,242</b>
<b>Total current assets</b>	<b>510,674</b>	<b>0</b>
<b>TOTAL ASSETS</b>	<b>867,789</b>	<b>60,242</b>
<b>SHAREHOLDERS' EQUITY</b>		
Retained earnings	397,385	0
<b>Total shareholders' equity</b>	<b>659,391</b>	<b>0</b>
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liability	11,841	0
Long-term liabilities from leasing	0	50,458
<b>Total non-current liabilities</b>	<b>11,841</b>	<b>50,458</b>
<b>CURRENT LIABILITIES</b>		
Other current liabilities	14,493	9,784
<b>Total current liabilities</b>	<b>196,557</b>	<b>9,784</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>867,789</b>	<b>60,242</b>

The Group has lease contracts for office premises and motor vehicles. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases. The right-of-use assets for most leases were recognised based on the amount equal to the lease liability, adjusted for previously recognised prepaid or accrued lease payments. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	Office Premises	(in TCZK) Motor Vehicles
Operating lease commitments as at 31 December 2018	55,131	6,863
Weighted average incremental borrowing rate as at 1 January 2019	0.8 %	4.5 %
Discounted operating lease commitments as at 1 January 2019	<b>53,793</b>	<b>6,449</b>
Less:		
Commitments relating to short-term leases	0	0
Commitments relating to leases of low-value assets	0	0
Add:		
Commitments relating to leases previously classified as finance leases	0	0
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	0	0
<b>Lease liabilities as at 1 January 2019</b>	<b>53,793</b>	<b>6,449</b>

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

- IFRS 9: Prepayment features with negative compensation
- IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments
- IAS 28: Long-term Interests in Associates and Joint Ventures
- IAS 19: Plan Amendment, Curtailment or Settlement
- Annual Improvements to IFRS 2015-2017 Cycle

**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 and effective after 1 January 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material'
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
- Conceptual Framework in IFRS standards

Standards not yet adopted by EU:

- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or contribution of assets between an investor and its associate or joint venture
- IFRS 17 Insurance Contracts
- IFRS 3: Business Combinations
- IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current

#### **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 component is equal to 1 since the receivables have high recoverability, 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 as well as Czech government bonds or treasury bills. These balances are subject to the general impairment model.

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 or government institutions, therefore the Group applies the "low credit risk exemption".

The Loss Given Default 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 = 62,76 % – 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 Fair value measurement of financial instruments**

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.

#### **4.4 Leases – Estimating the incremental borrowing rate**

The Group has several car leases contracts and a lease contract of office premises. All contracts include extension and termination options. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that are within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g. a significant change in the market rental rate).

##### **Estimating the incremental borrowing rate**

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

## 5 ADDITIONAL INFORMATION ON COMPREHENSIVE INCOME

### 5.1 Revenues

	2019		2018	
	Volume	Structure	Volume	Structure
	TCZK	%	TCZK	%
Revenues from trading on stock exchange	17,832	3.6%	23,819	4.7%
Shares	16,676	3.4%	22,764	4.5%
Debt securities	1,091	0.2%	1,001	0.2%
Structured products	65	0.0%	54	0.0%
Administrative fees (for membership and quotation)	19,569	4.0%	22,574	4.5%
Exchange information	40,996	8.4%	40,276	8.0%
Revenues from CSD services (excluding settlement)	328,222	66.9%	330,431	65.3%
Fee for registration of issues and related services	131,939	26.9%	132,759	26.2%
Fee for records maintenance	158,260	32.3%	160,940	31.8%
Other services CSD	38,023	7.7%	36,732	7.3%
Revenues from settlement of trades	76,766	15.6%	81,806	16.2%
License fees for exchange trading	172	0.0%	116	0.0%
Other revenues	7,132	1.5%	6,571	1.3%
<b>Total</b>	<b>490,689</b>	<b>100.0%</b>	<b>505,593</b>	<b>100.0%</b>

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

### 5.2 Services

	(in TCZK)	
	2019	2018
Services related to rental premises (Note 3.21.1)	(3,488)	(11,157)
Taxes and fees	(429)	(167)
IT maintenance services and repairs of assets	(26,458)	(24,618)
Costs of usage of technical trading system XETRA	(9,236)	(9,144)
Data links and connections	(2,679)	(2,655)
Securities administration services	(8,516)	(5,602)
Communication fees (telecommunication, mail, transport)	(856)	(897)
Information services	(1,540)	(1,365)
Marketing and advertisement	(6,666)	(8,373)
Market development	(3,028)	(2,571)
Advisory, tax and audit services	(13,454)	(15,181)
Travelling expenses	(1,785)	(1,521)
Lease (cars) – non-tax cost (Note 3.21.1)	(581)	(3,631)
Training	(1,694)	(1,838)
Other services	(1,792)	(1,713)
<b>Total</b>	<b>(82,202)</b>	<b>(90,433)</b>

The most significant expenses of the Group are represented by services associated with operation and maintenance of intangible assets that are used for running the trade system and database of records. In 2019 these expenses amounted TCZK 26,458 (2018: TCZK 24,618).

### 5.3 Employee benefit expenses

	(in TCZK)	
	2019	2018
Salaries	(101,667)	(101,231)
Statutory social and health insurance	(28,498)	(28,225)
Other employee expenses	(5,525)	(5,425)
<b>Total</b>	<b>(135,690)</b>	<b>(134,881)</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 13,631 (2018: TCZK 12,185).

### 5.4 Depreciation and amortization expenses

	(in TCZK)	
	2019	2018
Depreciation of tangible fixed assets (Note 6.1)	(4,536)	(4,732)
Amortization of intangible fixed assets (Note 6.2)	(21,611)	(21,091)
Amortization of right-of-use assets (Note 6.3 and 3.21.1)	(11,650)	0
<b>Total</b>	<b>(37,797)</b>	<b>(25,823)</b>

### 5.5 Other operating income

	(in TCZK)	
	2019	2018
Sale of property and equipment	0	20
Data services	7,717	6,022
Fees for suspended and unsettled trades	2,691	4,951
Operating revenues to associated company	1,056	0
Other operating revenues	472	404
<b>Total</b>	<b>11,936</b>	<b>11,397</b>

### 5.6 Other operating expenses

	(in TCZK)	
	2019	2018
Material consumption	(2,935)	(3,071)
Cleaning services	(601)	(587)
Members' fees	(503)	(474)
Liability insurance and property insurance	(1,389)	(1,273)
Representation costs	(1,304)	(1,855)
Fee for operating of legal person identification	(3,419)	(2,877)
Non-deductible VAT	(2,528)	0
Receivable write-offs	(560)	(597)
Other operating expenses	(3,679)	(1,794)
<b>Total</b>	<b>(16,918)</b>	<b>(12,528)</b>



## 5.7 Financial incomes

	(in TCZK)	
	2019	2018
Interest income from instruments AC (using EIR)	2,334	40
Interest income from instruments FVTPL	0	197
Foreign exchange rate differences	1,665	7,513
Other financial revenues	0	1
<b>Total</b>	<b>3,999</b>	<b>7,751</b>

## 5.8 Financial expenses

	(in TCZK)	
	2019	2018
Interest expenses on debts and borrowings (using EIR)	(27)	(221)
Interest expenses from lease liabilities	(515)	0
Foreign exchange rate differences	(1,780)	(7,330)
Net income from revaluation of instruments FVTPL	0	(22)
Other financial expenses (banking fees)	(1,625)	(1,634)
<b>Total</b>	<b>(3,947)</b>	<b>(9,207)</b>

## 5.9 Income tax expenses

	(in TCZK)	
	2019	2018
Income tax payable – current period	(49,896)	(54,040)
Additional corporate income tax payment/(refund) - previous year	1,907	1,235
Deferred tax (Note 6.11)	4,232	3,634
<b>Total income tax</b>	<b>(43,757)</b>	<b>(49,171)</b>

	(in TCZK)	
<b>Current tax on continuing operations</b>	<b>2019</b>	<b>2018</b>
Income tax payable – current period	(49,896)	(54,040)
Income tax advance payments	50,337	44,808
<b>Income tax (payable) / receivable</b>	<b>441</b>	<b>(9,232)</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)	
	2019	2018
<b>Profit before tax</b>	<b>232,571</b>	<b>258,106</b>
Theoretical tax calculated at a tax rate of 19% (2018: 19%)	44,189	49,040
Non-taxable revenues	(1,116)	(1,010)
Permanent expenses not deductible for tax purposes	2,591	2,376
<b>Total income tax from operations</b>	<b>45,664</b>	<b>50,406</b>
Correction of prior year tax	(1,907)	(1,235)
<b>Total income tax expenses</b>	<b>43,757</b>	<b>49,171</b>

Non-taxable revenues in 2019 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 2019, amounted to TCZK 5,428 (2018: TCZK 5,906). As at 31 December 2019 the Group tested the investment for impairment by applying the discounted cash flow method. Consequently, it created no further allowance to this investment in 2019 (2018: TCZK 0).

	(in TCZK)	
	<b>2019</b>	<b>2018</b>
<b>Ownership in %</b>	<b>33.33 %</b>	<b>33.33 %</b>
Group's share of profit/loss	5,428	5,906
<b>Group's share of profit of associates</b>	<b>5,428</b>	<b>5,906</b>

Additional information is disclosed in the Note 6.4.

## 6 ADDITIONAL INFORMATION ON CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### 6.1 Property and Equipment

(in TCZK)

Carrying amount	IT Equipment	Fixtures and fittings	Tang. fixed assets under constr.	Total
<b>As at 1 January 2018</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>
Additions	6,186	143	0	6,329
Disposals	(3,301)	(288)	0	(3,589)
<b>As at 31 December 2019</b>	<b>75,893</b>	<b>8,415</b>	<b>0</b>	<b>84,308</b>

(in TCZK)

Accumulated depreciation	IT Equipment	Fixtures and fittings	Tang. fixed assets under constr.	Total
<b>As at 1 January 2018</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>
Additions	3,828	708	0	4,536
Disposals	(3,301)	(288)	0	(3,589)
<b>As at 31 December 2019</b>	<b>67,413</b>	<b>7,301</b>	<b>0</b>	<b>74,714</b>

(in TCZK)

Net book value	IT Equipment	Fixtures and fittings	Tang. fixed assets under constr.	Total
As at 1 January 2018	4,054	1,371	13	5,438
As at 31 December 2018	6,122	1,679	0	7,801
As at 31 December 2019	8,480	1,114	0	9,594

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 6,329 (2018: TCZK 7,109) represents a purchase of computer/IT and office equipment.

## 6.2 Intangible fixed assets

(in TCZK)

Carrying amount	Software	Others	Intang. fixed assets under constr.	Total
<b>As at 1 January 2018</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>
Additions	1,924	0	194	2,118
Disposals	(5,908)	(4,121)	0	(10,029)
<b>As at 31 December 2019</b>	<b>201,380</b>	<b>227,042</b>	<b>194</b>	<b>428,616</b>

(in TCZK)

Accumulated amortization	Software	Others	Intang. fixed assets under constr.	Total
<b>As at 1 January 2018</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>
Additions	2,723	18,888	0	21,611
Disposals	(5,908)	(4,121)	0	(10,029)
<b>As at 31 December 2019</b>	<b>196,229</b>	<b>178,248</b>	<b>0</b>	<b>374,477</b>

(in TCZK)

Net book value	Software	Others	Intang. fixed assets under constr.	Total
As at 1 January 2018	2,674	86,630	253	89,557
As at 31 December 2018	5,950	67,682	0	73,632
As at 31 December 2019	5,151	48,794	194	54,139

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 2019 is TCZK 48,794 (2018: TCZK 67,682).

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 2,118 (2018: TCZK 5,419) is mainly represented by purchases of software (virtual environment security system).

### 6.3 Leases

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

(in TCZK)

Carrying amount	Office Premises	Motor vehicles.	Total
<b>As at 1 January 2019</b>	<b>53,793</b>	<b>6,449</b>	<b>60,242</b>
Additions	0	121	121
Disposals	0	(155)	(155)
<b>As at 31 December 2019</b>	<b>53,793</b>	<b>6,414</b>	<b>60,207</b>

(in TCZK)

Accumulated amortization	Office Premises	Motor vehicles.	Total
<b>As at 1 January 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>
Additions	8,607	3,043	11,650
Disposals	0	(155)	(155)
<b>As at 31 December 2019</b>	<b>8,607</b>	<b>2,888</b>	<b>11,495</b>

(in TCZK)

Net book value	Office Premises	Motor vehicles.	Total
As at 1 January 2019	53,793	6,449	60,242
As at 31 December 2019	45,186	3,526	48,712

The Group does not apply the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases. There are not any variable lease payments, the office premises lease is only increased by consumer price index every year.

The following are the amounts recognised in profit or loss:

(in TCZK)

2019	Office Premises	Motor vehicles.	Total
Depreciation expense of right-of-use	(8,607)	(3,043)	(11,650)
Interest expense on lease liabilities	(300)	(215)	(515)
Deferred tax	322	14	336
<b>Total amount recognised in profit or loss</b>	<b>(8,585)</b>	<b>(3,244)</b>	<b>(11,829)</b>

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

	As at 31 December 2019
Due in 1 year	0
Due in 1–5 years	0
Due in more than 5 years	44,349
<b>Total minimum lease payments</b>	<b>44,349</b>

As at 31 December 2019, the Group does not have any agreement to make a Contract for lease of a vehicle which would result in a contractual penalty.

Additional information is disclosed in the Note 7.

## 6.4 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 2019	As at 31 January 2018
<b>Ownership in %</b>	<b>33.33 %</b>	<b>33.33 %</b>
Property and equipment	65	137
Intangible assets	8,474	359
Right-of-use	6,159	0
Deferred tax asset	31	0
Long-term receivables and loans	29	30
<b>Non-current assets</b>	<b>14,758</b>	<b>526</b>
Income tax receivable	62	335
Trade and other receivables	13,917	5,366
Other assets	456	655
Cash and cash equivalents	41,137	58,865
<b>Current assets</b>	<b>55,572</b>	<b>65,221</b>
Long-term liabilities from leasing	(4,756)	0
<b>Non-current liabilities</b>	<b>(4,756)</b>	<b>0</b>
Trade liabilities	(1,936)	(2,314)
Income tax payable	(1,521)	(2,318)
Other current liabilities	(4,103)	(1,922)
Employee benefit payable	(7,407)	(7,169)
<b>Total current liabilities</b>	<b>(14,967)</b>	<b>(13,723)</b>
Total net assets (100%)	50,608	52,024
Total net assets (33.33%; 2018: 33.33%)	16,869	17,341
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>50,108</b>	<b>50,580</b>
Total income	68,585	60,046
Total profit/loss for the period (100%)	16,284	17,719
<b>Group's share of profit/loss</b>	<b>5,428</b>	<b>5,906</b>

### 6.4.1 Impairment testing of investments in associates

As at 31 December 2019 the Group's investment in an associate stated at fair value was tested for impairment using the discounted cash flow method.

	(in TCZK)	
	2019	2018
<b>As at 1 January</b>	<b>50,580</b>	<b>46,974</b>
Share of profit of associates	5,428	5,906
Dividend payment	(5,900)	(2,300)
Allowance for equity investments (DCF method)	0	0
<b>As at 31 December</b>	<b>50,108</b>	<b>50,580</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 5,428 and dividend payment in a value of TCZK 5,900, the fair value of the appropriate investment did not change as at 31 December 2019 after testing the investment by the discounted cash flow method. The Group decided to keep an allowance, of TCZK 8,491 (2018: 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.

## 6.5 Financial assets at amortized costs

The financial assets at amortized costs in the amount of TCZK 74,822 (2018: CZK 0) are related to the capital requirement that is described in the Note 6.6.

	(in TCZK)	
	As at 31 December 2019	As at 31 December 2018
Czech government bonds	74,822	0
<b>Total financial assets at amortized costs</b>	<b>74,822</b>	<b>0</b>

	(in TCZK)	
	2019	2018
<b>Financial assets at AC as at 1 January</b>	<b>0</b>	<b>0</b>
Price incl. transaction cost	74,113	0
Interest income incl. amortisation (using EIR)	709	0
<b>Financial assets at AC as at 31 December</b>	<b>74,822</b>	<b>0</b>

The Group purchased the Czech government bonds CZGB 0,75 02/23/21, ISIN CZ0001005367, in a total nominal value of TCZK 75,000 with a maturity on February 23, 2021. The Group is going to hold Czech government bonds with the purpose to collect contractual cash flows.

## 6.6 Other long-term financial assets

The other long-term financial assets in the amount of TCZK 150,178 (2018: TCZK 225,000) are represented by the balances at bank accounts and are related to the capital requirement.

According to the CSDR regulation, 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, 2019 (2018: TCZK 225,000) and is distributed into following financial instruments:

	(in TCZK)	
	As at 31 December 2019	As at 31 December 2018
Financial assets at amortized costs (Note 6.5)	74,822	0
Treasury bills	0	0
<b>Balances at bank accounts</b>	<b>150,178</b>	<b>225,000</b>
Česká národní banka	40,041	225,000
Česká spořitelna, a.s.	75,061	0
Komerční banka, a.s.	35,076	0
<b>Limited disposal accounts – CSDR licence</b>	<b>225,000</b>	<b>225,000</b>

## 6.7 Trade and other receivables

	(in TCZK)	
	As at 31 December 2019	As at 31 December 2018
Trade receivables	62,872	155,396
<i>physical settlement of trades with electric energy</i>	31,903	119,305
<i>trade receivables</i>	30,969	36,091
Adjustments to trade receivables	(5,574)	(5,615)
<b>Total net receivables</b>	<b>57,298</b>	<b>149,781</b>
Estimated receivables	21,315	21,290
Short/term advances	4	166
Receivables from employees	44	42
Other financial assets	265	3
<b>Financial assets</b>	<b>78,926</b>	<b>171,282</b>
Receivable from state ensuing from excessive VAT deduction	22	3,356
<b>Non-financial assets</b>	<b>22</b>	<b>3,356</b>
<b>Total trade and other receivables</b>	<b>78,948</b>	<b>174,638</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)	
	2019	2018
Balance as at 1 January	5,615	5,946
Additions	1,281	1,454
Receivable write-offs	(560)	(500)
Release	(762)	(1,285)
<b>Balance as at 31 December</b>	<b>5,574</b>	<b>5,615</b>

Additional information is disclosed in the Note 7.

## 6.8 Other assets

	(in TCZK)	
	As at 31 December 2019	As at 31 December 2018
Prepayments	16,778	18,593
<b>Non-financial assets</b>	<b>16,778</b>	<b>18,593</b>
<b>Total</b>	<b>16,778</b>	<b>18,593</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 Cash

	(in TCZK)	
	As at 31 December 2019	As at 31 December 2018
Cash in hand	137	122
Cash at bank	295,233	317,321
<b>Cash and cash equivalents</b>	<b>295,370</b>	<b>317,443</b>

## 6.10 Share capital and shareholders' fund

### 6.10.1 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 2019 (2018: 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.

### 6.10.2 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 2019, the Company held treasury shares with an acquisition price of TCZK 550 (2018: TCZK 550) which is 0.042 % of the total share on share capital.

### 6.10.3 Other funds

	(in TCZK)	
	As at 31 December 2019	As at 31 December 2018
Other capital funds	9,900	9,900
Reserve fund	150,000	150,000
<b>Total</b>	<b>159,900</b>	<b>159,900</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.

## 6.11 Deferred tax

The Group recognizes a deferred tax payable as at 31 December 2019 in the amount of TCZK 7,609 (2018: TCZK 11,841). Deferred income tax liability is attributable to the following items arising from temporary differences:

	(in TCZK)	
	As at 31 December 2019	As at 31 December 2018
Property, equipment and intangible assets	(9,517)	(13,120)
Provisions	564	101
Leasing	336	0
Others	1,008	1,178
<b>Deferred tax liability</b>	<b>(7,609)</b>	<b>(11,841)</b>

	(in TCZK)	
	2019	2018
As at 1 January	(11,841)	(15,475)
Tax charge per the statement of comprehensive income	4,232	3,634
<b>As at 31 December</b>	<b>(7,609)</b>	<b>(11,841)</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 2019 is calculated using an applicable tax rate of 19% (tax rate for 2020 and following years), depending on the period in which temporary differences are expected to be reversed.

The deferred tax at 31 December 2018 was calculated by applying a tax rate of 19%.

The Group records a deferred tax liability in any case and it only claims receivables that are expected to be applied in a future period.

## 6.12 Lease liabilities

	(in TCZK)			
	Interest rate in %	Maturity	As at 31 December 2019	As at 1 January 2019
Lease liabilities	0.8-4.5	2020	11,046	9,784
Long-term lease liabilities	0.8-4.5	2021-2025	39,435	50,458
<b>Total</b>			<b>50,481</b>	<b>60,242</b>

Additional information is disclosed in the Note 6.3 and 7 .

### 6.13 Trade payables

	(in TCZK)	
	As at 31 December 2019	As at 31 December 2018
Trade payables from electricity trading	24,874	109,881
Other trade payables	7,358	12,430
<b>Total</b>	<b>32,232</b>	<b>122,311</b>

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

No trade payables were overdue as at 31 December 2019.

Additional information is disclosed in the Note 7.

### 6.14 Employee benefit payable

As at 31 December 2019 payables to employees include wages and salaries for December 2019 including social security and health insurance premiums of TCZK 20,665 (2018: CZK 22,697).

In addition, the Group reported estimated payables relating to the payment of bonuses (including social security and health insurance) of TCZK 20,439 (2018: TCZK 24,384) and payables related to the untaken vacation of TCZK 2,968 (2018: CZK 0).

### 6.15 Other liabilities

	(in TCZK)	
	As at 31 December 2019	As at 31 December 2018
Payables to associated company	138	259
Accrued expenses	855	786
Estimated payables	227	194
Other payables	76	494
<b>Financial liabilities</b>	<b>1,296</b>	<b>1,733</b>
Other tax liabilities	4,276	4,873
Deferred revenues	7,347	7,887
<b>Non-financial liabilities</b>	<b>11,623</b>	<b>12,760</b>
<b>Total other liabilities</b>	<b>12,919</b>	<b>14,493</b>

Payables of TCZK 76 (2018: TCZK 494) comprise primarily of payables to shareholders in arising from distribution of securities.

Other tax liabilities of TCZK 4,276 (2018: TCZK 4,873) primarily relate to income tax on employment. Deferred revenues in amount of 7,347 (2018: TCZK 7,887) relate to revenues from services provided by the Group such as the assignment of the Legal Entity Identifier (LEI) to legal entities.

Additional information is disclosed in the Note 7.

## 6.16 Bank loans and guarantees

Since 2013 the Group has a general agreement with UniCredit Bank Czech Republic and Slovakia, a.s. (hereinafter “Unicredit Bank”) for using a bank overdraft up to the amount of TEUR 5,000 (2018: TEUR 5,000).

In 2019, the Group has an active overdraft facility of TCZK 10,000 (2018: TCZK 10,000) with Komerční banka, a.s. (hereinafter “KB”).

As at 31 December 2019, 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 (2018: TEUR 3,000) and a Contract for provision of a bank guarantee of TCZK 3,300 (2018: TCZK 3,300) with KB.

	Value		Value in TCZK	Interest rate in %	Maturity	2019		2018	
	in mil.					in TCZK	in TEUR	in TCZK	in TEUR
Bank overdraft Unicredit Bank	5.0	EUR	127,050	EURIBOR+1.00	On demand	1,989	78	3,440	134
Bank overdraft KB	10.0	CZK	10,000	PRIBOR+0.75	On demand	0	0	0	0
			<b>137,050</b>			<b>1,989</b>	<b>78</b>	<b>3,440</b>	<b>134</b>
Bank guarantee KB	3.0	EUR	76,230	0.30	28.02.2020	0	0	0	0
Bank guarantee KB	3.3	CZK	3,300	0.50	28.02.2020	0	0	0	0
			<b>79,530</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>			<b>216,580</b>			<b>1,989</b>	<b>78</b>	<b>3,440</b>	<b>134</b>

Additional information is disclosed in the Note 7 and 7.1 Management of credit risk.

## 7 ADDITIONAL INFORMATION ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 7.1 Management of credit risk

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 invests only on quoted debt securities with very low credit risk that are government bonds or treasury bills and are graded in the top investment category.

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

The Group concludes the financial guarantee contracts and credit limits 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 79,530 (2018: TCZK 80,745). The maximal credit risk exposure relating to credit limit contracts at the maximum amount the Group could have to pay is TCZK 137,050 (2018: TCZK 138,625).

	(in TCZK)	
	As at 31 December 2019	As at 31 December 2018
Long-term receivables	102	102
Long-term financial assets at AC	74,822	0
Other long-term financial assets	150,178	225,000
Trade receivables	57,298	149,781
Other financial assets	21,628	21,501
Cash	295,370	317,443
<b>Total</b>	<b>599,398</b>	<b>713,827</b>

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

	(in TCZK)					
2019	AAA	AA- / AA+	A- / A+	BBB+	No rating	Total
<b>Financial Assets</b>						
Long-term receivables	0	0	0	0	102	102
Long-term financial assets at AC	0	74,822	0	0	0	74,822
Other long-term financial assets	0	40,041	110,137	0	0	150,178
Trade receivables	0	0	0	0	57,298	57,298
Other financial assets	0	0	0	0	21,628	21,628
Cash	0	49	237,785	57,399	137	295,370
<b>Total</b>	<b>0</b>	<b>114,912</b>	<b>347,922</b>	<b>57,399</b>	<b>79,165</b>	<b>599,398</b>
Bank guarantee	0	0	79,530	0	0	79,530
<b>Total</b>	<b>0</b>	<b>0</b>	<b>79,530</b>	<b>0</b>	<b>0</b>	<b>79,530</b>

						(in TCZK)
2018	AAA	AA- / AA+	A- / A+	BBB-	No rating	Total
<b>Financial Assets</b>						
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
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>
<b>Bank guarantee</b>						
Bank guarantee	0	0	80,745	0	0	80,745
<b>Total</b>	<b>0</b>	<b>0</b>	<b>80,745</b>	<b>0</b>	<b>0</b>	<b>80,745</b>

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

Financial institution	2019	2018
Česká národní banka	AA-	AA-
Komerční banka, a.s.	A	A
Česká spořitelna, a.s.	A	A
UniCredit Bank Czech Republic and Slovakia, a.s. <sup>1</sup>	BBB+	BBB-
Clearstream Bank	AA	AA
Euroclear Bank	AA-	AA-

The ratings are taken from the company Standard & Poor's

### Trade receivables

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.

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 12mECL. The Group applies this approach for financial institutions with rating AAA – BBB+. There were no exposures outside this rating as at 31 December 2019 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>

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

Gross 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	2,393	0	0	0	0	0	845	3,238
CSD	22,461	194	83	169	21	573	4,230	27,731
EnCC	31,903	0	0	0	0	0	0	31,903
<b>Gross Balances in 2019</b>	<b>56,757</b>	<b>194</b>	<b>83</b>	<b>169</b>	<b>21</b>	<b>573</b>	<b>5,075</b>	<b>62,872</b>
<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>

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	156	17	23	59	8	235	4,230	4,728
EnCC	0	0	0	0	0	0	0	0
<b>Impairments in 2019</b>	<b>157</b>	<b>17</b>	<b>23</b>	<b>59</b>	<b>8</b>	<b>235</b>	<b>5,075</b>	<b>5,574</b>
<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>

At 31 December 2019 the Group recognized an impairment loss on trade receivables in a value of TCZK 5,574 (2018: TCZK 5,615); court action is underway for their enforcement and the likelihood of payment is minimal.

At 31 December 2019 the Group recognize an impairment loss on cash, long-term financial assets and bank guarantees in a value of TCZK 215 (2018: TCZK 317).

At 31 December 2019 the financial instruments are classified as Stage 1 for ECL measurement purposes.

#### **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	
2019	237	110	351	0	0	698
2018	432	148	350	0	0	930

The Group records overdue and not impaired receivables in the amount of TCZK 698 as at 31 December 2019 (2018: TCZK 930). The Group did not recognize impairments on off-balance items as at 31 December 2019.

## 7.2 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 6.16) to cover the lack of financial resources blocked by a settlement of energy trades on the 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.

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

(in TCZK)							
2019	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	9,594	9,594
Intangible assets	0	0	0	0	0	54,139	54,139
Right-of-use assets	0	0	0	0	0	48,712	48,712
Investment associates	0	0	0	0	0	50,108	50,108
Long-term receivables and loans	0	0	0	0	102	0	102
Long-term financial assets at AC	0	0	0	0	0	74,822	74,822
Other long-term financial assets	0	0	0	0	0	150,178	150,178
Trade receivables and other receivables	56,181	22,767	0	0	0	0	78,948
Income tax receivable	0	0	441	0	0	0	441
Other assets	0	0	0	0	0	16,778	16,778
Cash	295,370	0	0	0	0	0	295,370
<b>Total assets</b>	<b>351,551</b>	<b>22,767</b>	<b>441</b>	<b>0</b>	<b>102</b>	<b>404,331</b>	<b>779,192</b>
<b>Liabilities</b>							
Deferred tax liability	0	0	0	0	0	7,609	7,609
Long-term liabilities from leasing	0	0	0	0	39,435	0	39,435
Trade payables	32,232	0	0	0	0	0	32,232
Employee benefit payable	23,633	0	20,439	0	0	0	44,072
Lease liabilities	921	1,841	2,761	5,523	0	0	11,046
Other liabilities	12,919	0	0	0	0	0	12,919
Income tax payable	0	0	0	0	0	0	0
Short-term bank loans	1,989	0	0	0	0	0	1,989
<b>Total liabilities</b>	<b>71,694</b>	<b>1,841</b>	<b>23,200</b>	<b>5,523</b>	<b>39,435</b>	<b>7,609</b>	<b>149,302</b>
<b>Liquidity excess at 31.12.2019</b>	<b>279,857</b>	<b>20,926</b>	<b>(22,759)</b>	<b>(5,523)</b>	<b>(39,333)</b>	<b>396,722</b>	<b>629,890</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 2019

(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>

The table below summarises the maturity profile of the Group's financial assets and liabilities based on contractual payments:

(in TCZK)

2019	On demand	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 year and more	Total
<b>Financial Assets</b>							
Long-term financial assets at AC	0	0	0	0	0	75,563	75,563
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>75,563</b>	<b>75,563</b>
<b>Financial Liabilities</b>							
Long-term lease liabilities	0	0	0	0	0	42,246	42,246
Lease liabilities	0	988	1,973	2,960	5,920	0	11,841
Short-term bank loans	0	0	0	0	2,000	0	2,000
Bank guarantees	79,530	0	0	0	0	0	79,530
<b>Total</b>	<b>79,530</b>	<b>988</b>	<b>1,973</b>	<b>2,960</b>	<b>7,920</b>	<b>42,246</b>	<b>135,617</b>

(in TCZK)

2018	On demand	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 year and more	Total
<b>Financial Liabilities</b>							
Short-term bank loans	0	0	0	0	3,459	0	3,459
Bank guarantees	80,745	0	0	0	0	0	80,745
<b>Total</b>	<b>80,745</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,459</b>	<b>0</b>	<b>84,204</b>

### 7.3 Management of market risk associated with financial instruments

#### 7.3.1 Foreign currency 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 and USD as a foreign currency. The Group's exposure to foreign currency changes for all other currencies is not material.

For internal risk management, the Group defined two scenarios of possible EUR currency trends in 2019. The first scenario assumes an increase in the rate (depreciation of CZK) by 5 % and the second assumes a decrease in the rate (appreciation of CZK) by 7 %.

#### **Foreign currency sensitivity**

The following tables demonstrate the sensitivity to a reasonably possible change in EUR and USD exchange rates, with all other variables held constant.

Period	Change in EUR rate	(in TCZK)	Period	Change in USD rate	(in TCZK)
		Effect on profit before tax			Effect on profit before tax
2019	5.0 %	1,949	2019	5.0 %	(47)
	-7.0 %	(2,728)		-7.0 %	66
2018	11.7 %	7,474	2018	5.0 %	(75)
	-13.6 %	(8,720)		-7.0 %	106

#### 7.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rates at overdraft loans and bank guarantees. The bank guarantees are in fixed rates of interest and the overdraft loans are in fixed and variable interest.

#### **Interest rate sensitivity analysis**

The following table demonstrates the sensitivity to a reasonably possible change in interest rates of loans and bank guarantees. With all other variables held constant, the Group's profit before taxes affected through the impact on the impact on floating rate borrowings, as follows:

EUR			CZK		
Period	Increase/decrease in basis points	(in TCZK) Effect on profit before tax	Period	Increase/decrease in basis points	(in TCZK) Effect on profit before tax
2019	50 b.p.	(635)	2019	50 b.p.	(50)
	-60 b.p.	762		-60 b.p.	60
2018	50 b.p.	(643)	2018	50 b.p.	(50)
	-60 b.p.	772		-60 b.p.	60

#### 7.4 Fair values

Fair value of reported items is very near to their carrying 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 carrying value as the other long-term financial assets represent financial proceeds held on the bank accounts under market conditions. The fair value of financial assets at amortization costs is based on price quotations at the reporting date.

Set out below is a comparison of the carrying amounts and fair values of the Group's financial instruments:

	(in TCZK)			
	As at 31 December 2019		As at 31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Long-term receivables and loans	102	102	102	102
Financial assets at amortized cost	74,822	74,281	0	0
Other long-term financial assets	150,178	150,178	225,000	225,000
Trade receivable	57,298	57,298	149,781	149,781
Other financial assets	21,628	21,628	21,501	21,501
Cash	295,370	295,370	317,443	317,443
<b>Total</b>	<b>599,398</b>	<b>598,857</b>	<b>713,827</b>	<b>713,827</b>
<b>Financial liabilities</b>				
Long-term lease liabilities	39,435	39,435	0	0
Trade payables	32,232	32,232	122,311	122,311
Lease liabilities	11,046	11,046	0	0
Other financial liabilities	1,296	1,296	1,733	1,733
Current bank loans	1,989	1,989	3,440	3,440
<b>Total</b>	<b>85,998</b>	<b>85,998</b>	<b>127,484</b>	<b>127,484</b>

The following table provides the fair value measurement hierarchy of the Group's financial assets and financial liabilities.

(in TCZK)				
2019	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Long-term receivables and loans	0	0	102	102
Financial assets at amortized cost	74,281	0	0	74,281
Other long-term financial assets	0	150,178	0	150,178
Trade receivable	0	0	57,298	57,298
Other financial assets	0	0	21,628	21,628
Cash	0	295,370	0	295,370
<b>Total</b>	<b>74,281</b>	<b>445,548</b>	<b>79,028</b>	<b>598,857</b>
<b>Financial liabilities</b>				
Long-term lease liabilities	0	39,435	0	39,435
Trade payables	0	0	32,232	32,232
Lease liabilities	0	11,046	0	11,046
Other financial liabilities	0	0	1,296	1,296
Current bank loans	0	1,989	0	1,989
<b>Total</b>	<b>0</b>	<b>52,470</b>	<b>33,528</b>	<b>85,998</b>

There were no transfers between Level 1, Level 2 and Level 3 during 2019.

## 7.5 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 2019 for the Group shareholders amounts to CZK 816 per share (2018: CZK 824 per share).

## 7.6 Financial Instruments: Disclosures

The Group's consolidated financial statements for the year ended 31 December 2019 were prepared in accordance with the standard IFRS 7 – Financial Instruments: Disclosures.

Pursuant to IFRS 9 – 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 2019:

(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
Long-term financial assets	74,822	0	0	0
Other long-term financial assets	150,178	0	0	0
Trade receivables	57,298	0	0	0
Other financial assets	21,628	0	0	0
Cash and cash equivalents	295,370	0	0	0
Long term lease liabilities	0	0	39,435	0
Trade payables	0	0	32,232	0
Lease liabilities	0	0	11,046	0
Other financial liabilities	0	0	1,296	0
Short-term bank loans	0	0	1,989	0
<b>Total</b>	<b>599,398</b>	<b>0</b>	<b>85,998</b>	<b>0</b>

### 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
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>

## 8 ADDITIONAL INFORMATION ON CONSOLIDATED CASH FLOW STATEMENT

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 2019	As at 31 December 2018
Cash and bank accounts	295,370	317,443
<b>Total</b>	<b>295,370</b>	<b>317,443</b>

According to the CSDR regulation, 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, 2019 (2018: TCZK 225,000).

## 9 CLEARING FUND ASSETS AND LIABILITIES

The clearing fund assets and liabilities are recognized in the off-balance sheet.

		(in TCZK)	
<b>2019</b>			
Bank accounts	16,729		
- current account	16,729		
- term account			
Fixed income securities held to maturity		Liabilities to members of CLF	16,729
<b>Total assets</b>	<b>16,729</b>	<b>Total liabilities</b>	<b>16,729</b>

		(in TCZK)	
<b>2018</b>			
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>

## 10 RELATED PARTIES

Effective from 8 December 2008, CEESEG Aktiengesellschaft (former Wiener Börse, AG) became the majority shareholder of the Group. CEESEG Aktiengesellschaft owns as at 31 December 2019:

- 100% share of Wiener Börse AG;
- 99,543% (2018: 99,543 %) share of Burza cenných papírů Praha, a.s.

The Company recognizes the following transactions with Wiener Börse AG:

(in TCZK)		
Revenues/Expenses	2019	2018
Agreement on information sale cooperation	40,972	40,225
Agreement regarding indices trading	172	116
Other revenues	354	1
<b>Revenues total</b>	<b>41,498</b>	<b>40,342</b>
Agreement on technical trading system XETRA	9,236	8,888
Web maintenance	598	753
Others	56	256
<b>Expenses total</b>	<b>9,890</b>	<b>9,897</b>

(in TCZK)		
Receivables/Payables	As at 31 December 2019	As at 31 December 2018
Agreement on information sale cooperation and PX index trading	20,996	20,428
Licence fees	172	116
<b>Trade receivables</b>	<b>21,168</b>	<b>20,544</b>
Agreement on technical trading system XETRA	0	0
Others	0	274
<b>Trade payables</b>	<b>0</b>	<b>274</b>

The Company recognised the following transactions with CEESEG AG:

(in TCZK)		
Revenues/Expenses	2019	2018
Insurance	63	62
<b>Service expenses total</b>	<b>63</b>	<b>62</b>
Other revenues	61	61
<b>Revenues total</b>	<b>61</b>	<b>61</b>

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

	(in TCZK)	
<b>Receivables/Payables</b>	<b>2019</b>	<b>2018</b>
Trade receivables	468	241
Estimated receivables	0	2
<b>Receivables total</b>	<b>468</b>	<b>243</b>
Suppliers	0	0
VAT payables	137	259
Deferred revenues	259	467
Estimated payables	20	14
<b>Payables total</b>	<b>416</b>	<b>740</b>

	(in TCZK)	
<b>Revenues/Expenses</b>	<b>2019</b>	<b>2018</b>
FX losses	1	1
<b>Expenses total</b>	<b>1</b>	<b>1</b>
Fees for support services	5,477	5,393
Other operating revenues	1,064	0
Rent	918	965
FX gains	2	3
<b>Revenues total</b>	<b>7,461</b>	<b>6,361</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 .



## 11 SUBSEQUENT EVENTS

In first half of 2020, Wiener Börse AG intends to merge all of its rights and obligations as a transferring company to the sole shareholder CEESEG Aktiengesellschaft valid from January 1, 2020 by transferring its assets as a whole. This event does not have any impact on the financial statements as at 31 December 2019.

No other events have occurred since the balance sheet date that would have any material impact on the financial statements as at 31 December 2019.

Prague, 6 March 2020

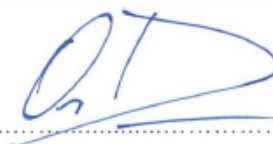
Statutory body's signature:



.....

Petr Kobic

Chairmen of the Exchange Chamber



.....

Ondřej Dušlák

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 2019, 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 2019, 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 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

6 March 2020  
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