eex group

Annual Report 2017

Local Expertise in Global Commodity Markets

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External websites and fact sheets

Further information material

Further video material

Key Data

		2017	2016	Change %
Profit and loss account				
Sales revenue	kEUR	225,320	234,158	–4
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	kEUR	88,938	99,460	–11
Earnings before interest and taxes (EBIT)	kEUR	73,486	87,129	–16
Earnings before taxes (EBT)	kEUR	74,224	87,629	–15
Balance sheet (as of 31 December)				
Non-current assets	kEUR	347,757	218,862	+59
Equity	kEUR	425,806	283,846	+50
Balance sheet total	kEUR	3,561,371	3,721,238	–4
Core business parameters				
Spot market				
Power spot market volume [1]	TWh	543	535	+1
Gas spot market volume [2]	TWh	828	653	+27
Emissions spot market volume	mt*	908	691	+31
Derivatives market				
European Power derivatives market volume [3]	TWh	2,822	3,920	–28
Gas derivatives market volume [2]	TWh	1,154	1,091	+6
US Commodities derivatives market volume [4]	TWh	395	–	n/a
Emissions derivatives market volume	mt*	472	258	+83
Agriculturals derivatives market volume	Contracts	65,453	55,838	+17
Freight derivatives market volume—futures and options	kd**	473	438	+8
Company parameters				
Trading participants		588	555	+6
Employees (balance sheet date)		542	453	+20

* Million tonnes
** Thousand days

[1] EPEX SPOT trade volumes, including SEEPEX volumes from 17 February 2016 and PXE volumes from June 2016 onwards
[2] PEGAS trade volumes, including Gaspoint Nordic and PXE volumes from June 2016, CEGH from December 2016 onwards
[3] Trade volumes, including PXE volumes, from June 2016
[4] Nodal trade volumes from May 2017

Peter Reitz
has been the CEO of EEX since 1 August 2011.

After gaining a degree in mathematics, he started his career as a product manager at Deutsche Börse AG in Frankfurt.

From 2000 to 2001, he worked at Dow Jones Indices in New York before becoming a Management Board member of the Eurex derivatives exchange.

Foreword

Dear readers,
Dear shareholders, employees and friends,

2017 was a very exciting year. In spite of a difficult market environment, we were able to cope with regulatory challenges and to expand and improve our competitive position in many business fields, as well as the overall position of the EEX Group as a group of exchanges.

The Federal Network Agency's announcement regarding the introduction of congestion management on the German-Austrian border was the most important issue on the energy market. The related discussion on the process and effects of dividing the established German-Austrian power price zone led to considerable uncertainty. EEX was thus forced to record a significant decline in the volume of Phelix Futures. In view of the pending separation of the price zone in October 2018, we launched separate derivatives contracts for the German and Austrian markets to ensure that our clients can hedge future price risks. Within a very short time the new Phelix DE Future has evolved into the benchmark for European power trading.

In the wake of lower volatility and the changed market situation in Europe, the volumes of derivatives contracts in other important power markets, such as France, Spain and Italy, also declined. Nonetheless, we were able to increase our market share in these countries and strengthen our own position as a leading exchange platform. The Spanish and Italian markets in particular, recovered towards the end of the year. We expect trading activities to increase again in 2018.

In spite of the lower volumes on the power derivatives market overall, there have been a number of positive developments. The EPEX SPOT power spot markets grew slightly, maintaining their high level. With a growth rate of 15%, the intraday markets, in particular, contributed to the success in 2017. Furthermore, in the middle of 2017 we migrated a number of power contracts for Eastern and Central European countries from the Prague-based Power Exchange Central Europe (PXE) to the EEX platform. In the course of the migration, these products significantly gained in liquidity and almost tripled their volumes. The Netherlands, as a smaller market area, also developed very positively with volumes almost tripling in this market as well.

“The EEX Group is far more than simply a power trading platform.”

The acquisition of US-based Nodal Exchange Holdings LLC and its clearing company, Nodal Clear, represented a milestone in the short history of the EEX Group. As result, the EEX Group now has access to the biggest power market worldwide and, in terms of actual volume, we recorded the highest power trading volume in the world for the first time in 2017.

However, the EEX Group is far more than simply a power trading platform. The development of the parameters shows that the strategy of continuous diversification is now bearing fruit. Natural gas trading and trading in emission allowances have become stable pillars of our business and, in 2017, we also significantly increased our volumes in other commodity products.

In 2017, we generated significant growth in the gas market, especially in short-term trading. The spot markets achieved double-digit growth rates (+27%) compared with the previous year. The significant increases in volume on the spot and derivatives market show that our strategy to establish PEGAS as an integrated European trading platform for natural gas is paying off.

In 2017, trading volumes in emission allowances continued to grow, both on the spot and derivatives market – with an increase of 45% overall. In this segment, the further expansion in our position on the secondary market is particularly positive. Last year, trading of emission allowances rose by as much as 71% in this market. At present, our ability to offer emissions trading is still restricted to Europe. In 2018, we also aim to support and help the development of emissions markets in other time zones.

We recorded a 17% increase in our agricultural markets. In respect of the dairy products segment, we again achieved a record volume and strengthened our position as the leading European derivatives market. We will pave the way for further growth by expanding our services with a liquid milk future in 2018 and examining auctions as potential new products.

Finally, we grew in further global trading products, such as freight and fuel oil, which are listed at our subsidiary in Singapore, Cleartrade Exchange CLTX).

On the settlement side, the EEX Group now includes two clearing houses: European Commodity Clearing (ECC) and Nodal Clear. Moreover, as a result of official recognition by the Market Authority of Singapore, we will be able to reinforce the integration of the Asian market into our group network, since ECC now also directly clears transactions concluded at CLTX. Furthermore, we have set a course for connecting further partner exchanges to ECC.

As a result of all these developments in 2017, the EEX Group generated sales revenues of EUR 225 million (2016: EUR 234 million) and a consolidated net profit of EUR 54 million (2016: EUR 58 million). In view of the challenging situation in the past year, we are very pleased with this result.

Regulations and their implementation are issues on which we will continue to focus in 2018. There is no doubt that regulation, in the sense of supervised markets, is important. However, last year it became very clear that regulatory changes can have significant effects on the markets we operate in. With regard to the price zone issue, previously feared uncertainty indeed materialised – along with a significant decline in trading activities.

As a result, stable long-term conditions are all the more important. Two examples are quite positive: the reforms strengthening the European Emissions Trading Scheme and the so-called “Clean Energy Package” which will guide future European power market design. The EU Commission supports a further strengthening of the market and the need for exchange price signals. Political proposals are expected to be tabled by the end of 2018.

Other important factors include the increasing decentralisation, digitalisation and decarbonisation of the energy world. With its companies, the EEX Group has its finger on the pulse of our industry and, together with its market partners, will develop innovative solutions to meet future challenges. As an example, we can cite the cooperation between EPEX SPOT and the US-based LO3 with the aim of developing solutions for short-term trading in local markets based on blockchain.

In summary, we can state that, in 2017, we have again come closer to our long-term aim of developing the EEX Group into a global commodity exchange. Today, we operate across three time zones in Europe, Asia and North America and will continue our strategy. The guest contribution to our annual report by Dr Fatih Birol, Executive Director of the International Energy Agency, precisely underlines the energy market trends that EEX Group is tapping into in its journey towards becoming a global commodity exchange. In 2018, our focus will again be on growth in core markets, increasing the geographic range of our activities and accessing new business fields – with Deutsche Börse as a strong partner.

“Today, we operate across three time zones in Europe, Asia and North America and will continue our growth strategy worldwide.”

With the addition of Nodal Exchange in Washington D.C., EEX Group now has more than 500 employees at 16 sites. This annual report, which is published under our new group branding for the first time, focuses on the different companies of our Group, which contributed to this success in 2017.

On behalf of the entire Management Board, I would like to thank our esteemed employees for their support and tireless dedication, which enabled us to successfully conclude the 2017 financial year.

Moreover, I would like to thank our customers and partners. Your trust motivates us to find the optimum solutions for the diverse challenges we face, and to move forward together on an even stronger basis.

Leipzig, April 2018
For the Management Board

Peter Reitz

THE MANAGEMENT BOARD

f.l.t.r.

Steffen Köhler › Chief Operating Officer **Jean-François Conil-Lacoste** › Executive Director Power Spot Markets
Peter Reitz › Chief Executive Officer **Dr Dr Tobias Paulun** › Chief Strategy Officer
Dr Egbert Laege › Executive Director Gas Markets
Iris Weidinger › Chief Financial Officer **Dr Thomas Siegl** › Chief Risk Officer

Dr Jürgen Kroneberg
Dr Jürgen Kroneberg is a renowned expert in the energy industry. As a lawyer, he held leading positions in various municipal and district administrations from 1984 to 1997.

In 1997, he became an Executive Board member of RWE Energie AG with responsibility for Sales Germany/Benelux and Law. As a member of the Executive Board of RWE Net AG, he was responsible for Sales/Law from 2000 to 2003 and subsequently joined the Executive Board of RWE Energy AG.

After leaving RWE Energy AG in June 2009, he worked as a lawyer at Clifford Chance before joining White & Case (Düsseldorf) as a lawyer in April 2015. Dr Kroneberg has been Chairman of the Supervisory Board of EEX since 2000.

Report of the Supervisory Board

Dear Shareholders,

During the reporting year (2017), the Supervisory Board of EEX diligently carried out the tasks with which it was entrusted according to the applicable legislation, the statutes of the Company and its rules of procedure. It supported the Management Board in the running of the Company in an advisory capacity and continuously monitored the management of the business of the Company. The Supervisory Board was directly involved in all the decisions and measures which were of fundamental importance to the Company.

The Management Board of EEX regularly, promptly and comprehensively reported to the Supervisory Board regarding corporate planning, including financial, investment and human resources planning, business progress, the ongoing strategic development and the current situation of the Group. Those business transactions that were of significant importance to the Company were discussed in detail by the Supervisory Board on the basis of reports provided by the Management Board in writing and verbally. The Supervisory Board approved the draft resolutions of the Management Board following thorough examination and deliberation. In addition to the adoption of resolutions at meetings, two resolutions were adopted by circulation on account of their urgency during the year under consideration.In addition to the meetings of the Supervisory Board, the chairman of the Supervisory Board was in regular contact with the Management Board. In addition, the Management Board informed him of the latest developments in the business situation and of significant business-related incidents at the earliest opportunity.

Work of the Committees
In order to efficiently discharge its tasks, the Supervisory Board has established two committees, which prepare resolutions to be voted on by the Supervisory Board as well as matters to be discussed by the board. In addition, the Supervisory Board has transferred individual tasks and elements of its decision-making competences to these committees. The chairmen of the committees regularly and comprehensively report to the board on the content and the results of the committee meetings.

During the reporting period, the **Executive Committee** held six meetings. The Executive Committee consists of the chairman and the deputy chairmen of the Supervisory Board and has the task of preparing resolutions to be adopted by the Supervisory Board and other topics to be covered by the Supervisory Board and of issuing of recommendations with regard to these matters.

The **Personnel Committee** prepares decisions to be made by the Supervisory Board regarding the appointment and dismissal of Management Board members, as well as regarding the determination of their compensation. Furthermore, the Personnel Committee submits proposals regarding the conclusion or amendment of Management Board employment contracts including decisions relevant for the setting of compensation and regarding target agreements and attainment. Additionally, instead of the Supervisory Board and on the basis of the competences transferred to it, it adopts resolutions on matters specified in detail in the rules of procedure for the Supervisory Board, in particular, the approval of ancillary activities of members of the Management Board. The Personnel Committee consists of the chairman and the deputy chairmen of the Supervisory Board and met three times during the reporting period. At these meetings, it dealt with the re-appointment of three Management Board members and the regular review of the compensation of three further Management Board members. Furthermore, the Personnel Committee prepared proposals for target agreements and the degrees of target attainment by the Management Board members and issued recommendations for the corresponding resolutions to be voted on by the Supervisory Board. At its meeting on 9 March 2017, it also dealt with the introduction of a new contract template for management board contracts, which is to be introduced gradually for all members of the Management Board in the context of re-appointments.

Supervisory Board meetings
In the reporting year 2017, four ordinary meetings of the Supervisory Board were held. At all of these, major topic was the report of the Management Board regarding the current situation of the Company, which the Supervisory Board then discussed with the Management Board in detail. One further Supervisory Board meeting, focusing on strategic matters, was held during the reporting year. In addition, two extraordinary Supervisory Board meetings took place.

The Supervisory Board meetings were characterised by a thorough and open exchange regarding the Company's situation, the development of the business and financial situation, as well as fundamental matters of corporate policy and strategy. The Supervisory Board members regularly prepared resolutions regarding matters requiring their approval on the basis of documents made available to them in advance by the Management Board. In addition to this, the Management Board regularly informed the Supervisory Board of the most important commercial parameters and developments in the form of written monthly reports.

At an extraordinary meeting on 3 March 2017, the Supervisory Board approved the acquisition of the US Nodal Exchange Holdings, LLC (Nodal) following thorough deliberations. This step represents the largest acquisition in the history of EEX to date. As a result of this, EEX has expanded its offering within the North American energy markets and extended its global presence and network of trading participants in line with its growth strategy.

At the meeting convened to approve the balance sheet on 5 April 2017, the Supervisory Board looked in detail at the 2016 annual and consolidated financial statement and at the corresponding management reports in the presence of the external auditor of the annual accounts. The annual financial statements prepared were approved and are therefore considered as adopted. Furthermore, the Supervisory Board approved the Management Board's proposal to the Annual General Meeting to use the balance sheet profit to pay a dividend of EUR 0.27 per share certificate entitled to dividends. As recommended by the Personnel Committee, the board also approved the proposed degrees of target achievement for the Management Board members for the financial year 2016, and the related management bonuses. Furthermore, the Supervisory Board renewed Jean-François Conil-Lacoste's and Dr Egbert Laege's appointment to the Management Board for a further two years and Dr Tobias Paulun's appointment to the Management Board for a further five years upon recommendation by the Personnel Committee. Following a regular review, the board also agreed an adjustment of the compensation for one further Management Board member.

The strategy meeting on 11 May 2017 focused on the discussion of the strategic framework for preparing the revenue planning from 2018 to 2023. The Supervisory Board also discussed EEX's strategic roadmap for international growth.

At EEX's 2017 Annual General Meeting on 8 June 2017, elections for the Supervisory Board were held following completion of the regular term of office. After that, the newly elected EEX Supervisory Board met for its constitutive meeting, at which three new members were welcomed to the Supervisory Board. In addition to electing the chairman and the deputy chairmen and also establishing and staffing committees, this meeting focused on the detailed presentation of the new group company Nodal by its CEO. As recommended by the Personnel Committee and following a regular review, the Supervisory Board also adopted an adjustment of the compensation for two Management Board members.

At an extraordinary meeting on 17 July 2017, the Supervisory Board dealt with matters on which a decision had to be taken before the next regular meeting. First, following in-depth consultation, the acquisition of the remaining shares in the EEX subsidiary Powernext S.A. was approved together with an associated change in the legal form and new staffing arrangements of the Board of Directors of that company. Restructuring measures designed to simplify the group structure were also approved for the Nodal subsidiary. Finally, the board approved the conclusion of a contract with the LCH clearing house regarding the takeover of the LCH open interest in freight contracts by EEX Group's clearing house, European Commodity Clearing AG (ECC).

The meeting on 16 October 2017 focused on the approval of the 2018 budget and consideration of the medium-term planning from 2019 to 2023 as well as the approval of a cooperative marketing arrangement with a strategic partner aimed at (further) developing EEX's emissions markets. The Management Board's regular reporting focused on the situation in the power derivatives market. During the reporting year, this was affected by a significant decline in revenue and, in particular, by the effects of the announced splitting of the German-Austrian price zone. In addition, the Management Board reported on the provisional results of a comprehensive special audit of the group company ECC carried out by the Bundesbank and the Federal Financial Supervisory Authority.

In addition to its regular reporting on developments affecting markets, finance, strategy, IT and risk, the main focus of the meeting on 13 December 2017 was the discussion of a preliminary dividend proposal for the 2017 financial year. This was approved by the Supervisory Board. In addition, the Supervisory Board approved the establishment of a joint venture for operating a B2B platform for the conclusion of power supply contracts. As recommended by the Executive Committee, the Supervisory Board also adopted amendments of the Rules of Procedure for the Supervisory Board and for the Management Board, predominantly involving increases in the thresholds for matters requiring approval. Furthermore, the board adopted the target agreements for the Management Board members for 2018 as proposed by the Personnel Committee.

Audit of the annual accounts

The Management Board prepared the annual financial statement and the management report as well as the consolidated financial statement and the consolidated management report of EEX. It submitted these to the Supervisory Board at the due time.

KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, appointed as the auditor of the annual accounts and group auditor for the 2017 financial year by the Annual General Meeting, audited the annual financial statement as of 31 December 2017 prepared according to the rules of the German Commercial Code (HGB) and the management report, as well as the consolidated financial statement as of 31 December 2017 (prepared in accordance with IFRS rules in the form in which these have to be applied within the EU) and the consolidated management report and certified each of these without qualification.

The auditor of the annual accounts submitted to the Supervisory Board its reports on the type and extent as well as the result of the audits. The documents regarding the financial statements referred to, as well as the audit reports provided by the auditors of the annual accounts, were submitted at the due time to all Supervisory Board members. The auditor of the annual accounts took part in the Supervisory Board meeting on 10 April 2018 and reported in detail on the key findings of his audit.

The Supervisory Board examined the annual financial statement and the management report, as well as the consolidated financial statement and the consolidated management report. There were no objections and the result of the audit carried out by the auditor of the annual accounts was approved. The Supervisory Board approved the annual financial statement prepared by the Management Board as well as the consolidated financial statement for the 2017 financial year. The annual financial statement of EEX is therefore adopted. The Supervisory Board approved the Management Board's proposal regarding the appropriation of the balance sheet profit.

Management Board personnel matters

There were no changes in the staffing of the EEX Management Board in 2017.

Supervisory Board personnel matters

On 8 June 2017, the following members left the EEX Supervisory Board on completion of their regular term of office:

- Dr Hans-Joachim Arnold,
  Head Legal/Compliance, innogy SE, Essen

- Ulf Heitmüller,
  Chairman of the Executive Board, VNG – Verbundnetz Gas Aktiengesellschaft, Leipzig

- Klaus Rohatsch,
  Member of the Management Team,
  EDF SA, Cattenom/France

The following members of the Supervisory Board were elected as new members at the Annual General Meeting on 8 June 2017 or delegated as new members of the Supervisory Board by EEX shareholders with effect from 8 June 2017:

- Peter Heydecker,
  Executive Director Trading, EnBW Energie Baden-Württemberg AG, Karlsruhe

- Xavier Lafontaine,
  Head of Strategic Partnerships,
  Electricité de France SA, Paris/France

- Vincent van Lith,
  Executive Director, ABN AMRO Bank N.V.,
  Frankfurt

The Supervisory Board would like to thank the members of the Management Board and all of European Energy Exchange AG's employees for their hard work and their contribution to a financial year that, despite challenging circumstances, proved to be successful.

Leipzig, April 2018
On behalf of the Supervisory Board

Dr Jürgen Kroneberg,
Chairman of the Supervisory Board

eex group

Brand Report

Strong brands forming one powerful Group

The EEX Group is a group of specialised companies providing market platforms for energy and commodity products across the globe.

The group offers market access and tailor-made solutions to trading participants as well as an integrated process handling with its own clearing houses.

eex

ecc

epexspot

powernext

pegas

pxe

cltx

nodal

nodalclear

gaspoint nordic

Local expertise

>500

employees in

16

locations

We are a group of commodity specialists offering expert advice and support to our customers on a local level – in their own country and in their own language.

in global commodity markets

The EEX Group connects over

550

participants from

36

countries

As the commodity arm of Deutsche Börse, the EEX Group organises and facilitates trades that comprise a broad portfolio of commodities across three international times zones.

Business segments

Our services range from exchange trading, clearing and settlement to special services, such as market and transparency data as well as data reporting services.

The EEX Group's product portfolio comprises contracts for Energy, Environmentals, Freight, Metals and Agriculturals.

Power

Natural gas

Environmental products

Global commodities

Agricultural products

Registry services

At a glance

Power for today. Power for tomorrow.

The European Power Exchange EPEX SPOT operates the short-term electricity markets for Germany, France, the United Kingdom, the Netherlands, Belgium, Austria, Switzerland and Luxembourg. EPEX SPOT offers coupled and uncoupled day-ahead and local intraday auctions as well as local and cross-border continuous trading.

The day-ahead market is operated via a daily auction. EPEX SPOT markets are part of the multi-regional coupling system which stretches across 19 markets.

The continuous intraday markets of EPEX SPOT are by far the most liquid intraday markets in Europe, with 71 TWh traded in 2017. Hourly products are complemented by 15-minute and 30-minute products.

463.7 TWh

traded on the day-ahead market in 2017

285

trading members from over 20 countries

An eye on the future

At EPEX SPOT we create value for our customers and stakeholders in an evolving 3D industry.

- EPEX SPOT makes markets fit for renewables and is a driver of the energy transition thanks to our large range of flexible products.
- Digitalisation is at the heart of our activity: Through participation in pilot projects and visionary partnerships, EPEX SPOT is part of the digital transformation of the energy sector.
- EPEX SPOT has extensive experience in market coupling projects, contributing to the accomplishment of the European Internal Energy Market.

What was your highlight in 2017?
2017 was a very dynamic year for me personally, as I moved to Leipzig to work from EPEX SPOT's German office after 7 years in the Paris headquarters. This allows me to be geographically closer to a large number of clients. In addition to this, I was able to catch up with our members during our local traders events all over Europe. This personal contact is really important in efficiently supporting members during system updates and test phases and in understanding their needs.

In 2017, 534.7 TWh were traded on EPEX SPOT markets – a third of the domestic consumption in the eight countries covered.

Questions to

Katharina Niciejewska – Key Account Manager

What are your biggest ambitions for 2018?
2018 will be a very pivotal year for market participants across Europe, as major European initiatives will be implemented, transforming the market landscape. In addition to this, EPEX SPOT will start offering trading in new market areas to cater to the needs of our customers. As a key account manager this means exciting times, as we support existing clients that want to expand their trading activities while welcoming new clients who want to benefit from our unique trading solutions and services.

What makes EPEX SPOT a special place to work at?
With a very diverse and international staff, EPEX SPOT has a truly international spirit that is practised in everyday life. The sector we work in is highly dynamic, and in my 8 years at EPEX there has never been a single day that resembled any other. Seeing how the company has grown, how innovative our solutions and technologies are, makes me proud to be a part of this success story.

At a glance

Connecting energy and commodity markets

The European Energy Exchange (EEX) is the leading energy exchange in Europe which develops, operates and connects secure, liquid and transparent markets for energy and commodity products.

EEX offers contracts on power, emission allowances as well as freight and agricultural products.

289.1 TWh

Trading volume Phelix-DE Future (April-December 2017)

1,380.5 mt CO_2

Traded in Emission Allowances (2017)

EEX pursues a strategy based on growth in three dimensions: Regional expansion, new business fields and growth in core markets.

Trends

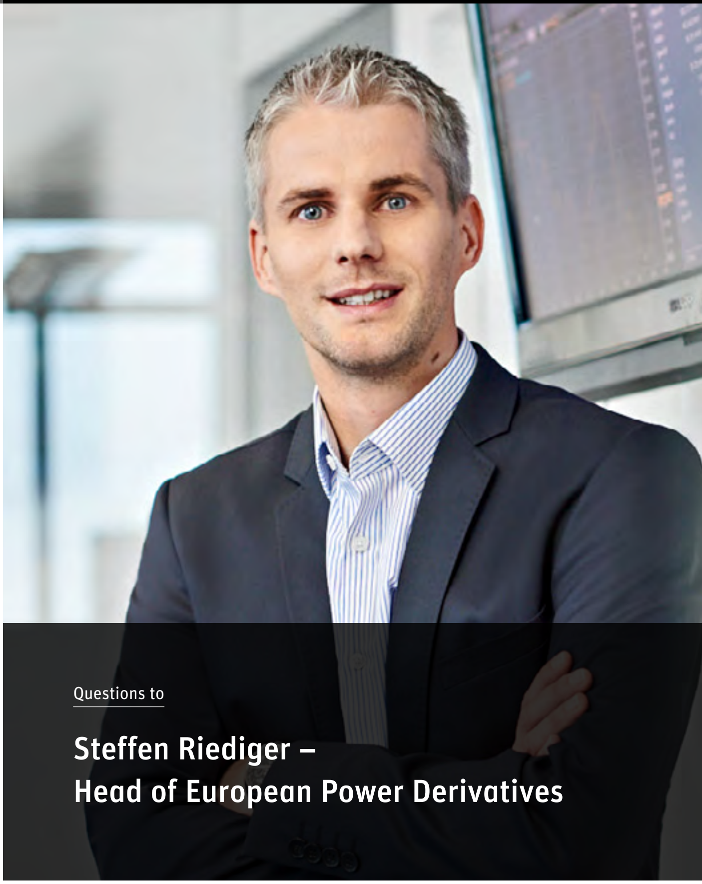
The introduction of MiFID II and MiFIR has led to increased reporting requirements for trading participants, effecting all derivatives contracts. EEX has built a unique compliance service framework to meet these requirements.

Innovations

In 2017, EEX launched the Phelix-DE Future in response to the planned division of the German-Austrian price zone. Since then, the new product has established itself as the benchmark for European power.

Ambitions

EEX continues to be on track to becoming a global commodity trading platform, offering its participants a portfolio of energy-related, globally traded commodities. The migration of the freight business from LCH to our clearing house aligns with this vision.

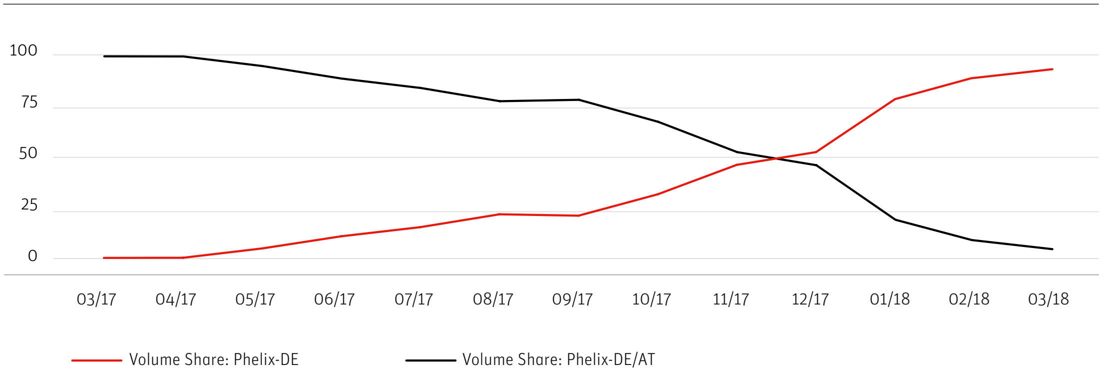


What developments does EEX foresee for its power market?
While 2017 has been a year which was very much driven by regulatory changes, we are focusing our activities for 2018 on three dimensions. Firstly, we will increase our product range in markets that we are already active in. Secondly, we will expand our geographical reach by adding further market areas in various products. And finally, we will continue to work closely together with our clients to come up with completely new, innovative products and services.

What's the most important thing you've learned in the past year?
We are living in times of rapid change – from a technological and regulatory perspective as well as in terms of the way in which people do business. For us as an exchange platform provider, it is of utmost importance to be flexible, innovative and close to the market in order to remain successful and be able to provide the right products and services that set us apart from competitors.

What are likely to be the key issues in 2018?
It's the "three D's" that will shape the discussion: Decentralisation: how do we integrate many small power producers into the market; Digitalisation: how to leverage new technologies for the energy market; and decarbonisation: how we are going to meet national, European and global climate targets.

Volume Share: Phelix-DE/AT and Phelix-DE Future in %



› powernext

At a glance

Powernext develops energy market solutions

Established in 2001, Powernext is a regulated market under French legislation. Powernext is headquartered in Paris and active across Europe. As a market facilitator, Powernext develops tailor-made solutions for energy markets.

Powernext operates the Pan-European gas platform PEGAS, as well as the registry for Guarantees of Origin and the registry for Capacity Certificates for RTE. Since January 2018 Powernext has been operating the White Certificates registry in France.

53

Employees with

7

Nationalities

Innovations

The energy sector is undergoing significant changes and requires innovative solutions to respond to new upcoming challenges. Powernext's willingness to innovate goes beyond the further development of the gas trading platform PEGAS into new product areas. We believe that market-based instruments constitute the most efficient tool in tackling those challenges and in supporting a successful energy transition.

Powernext has established itself as an important partner for industry and has amassed significant experience in auction design, algorithmic trading solutions as well as registry solutions which we aim to continuously develop.

From a company perspective, what was your highlight of 2017?
In 2017, the consumption of renewable electricity rose significantly. Many suppliers started to sell green energy. As Powernext operates the Guarantees of Origin (GO) registry in France, this was reflected in an important growth in GO activity. We are very proud to support this trend. As a next major step in 2017, Powernext has been commissioned by the French Ministry of Ecology, Sustainable Development and Energy to operate the Energy Savings Certificate system, starting in 2018. This constitutes another important tool in supporting the French energy transition and in allowing the market and consumers to actively participate in the transition.

2017 has also been a quite notable year for Powernext as an entity itself. Now embedded in the EEX Group, Powernext changed its visual identity and launched a new website which illustrates our data in a more accessible way.

Looking at the industry in general, what would you consider to be the biggest trend that will affect Powernext and its customers?
Decentralisation, Decarbonisation, Digitalisation – these are currently the most popular buzz words in the energy sector. With our range of GOs, energy savings certificates and capacity certificates, Powernext is already very active in the decarbonisation sphere. We are also focusing on the digitalisation process which has the potential to introduce quite disruptive changes in how energy markets will be organised in the future. Powernext is preparing for these new trends to be able to turn them into new opportunities. As an exchange, we need to lead this evolution proactively and integrate this transformation into our portfolio of services, so that we are able to continue shaping the market into the next decade.

45.2 TWh of GOs were generated in 2017, representing more than half of the French renewable energy production.

Questions to

Aude Filippi – Head of Growth Initiatives

pegas

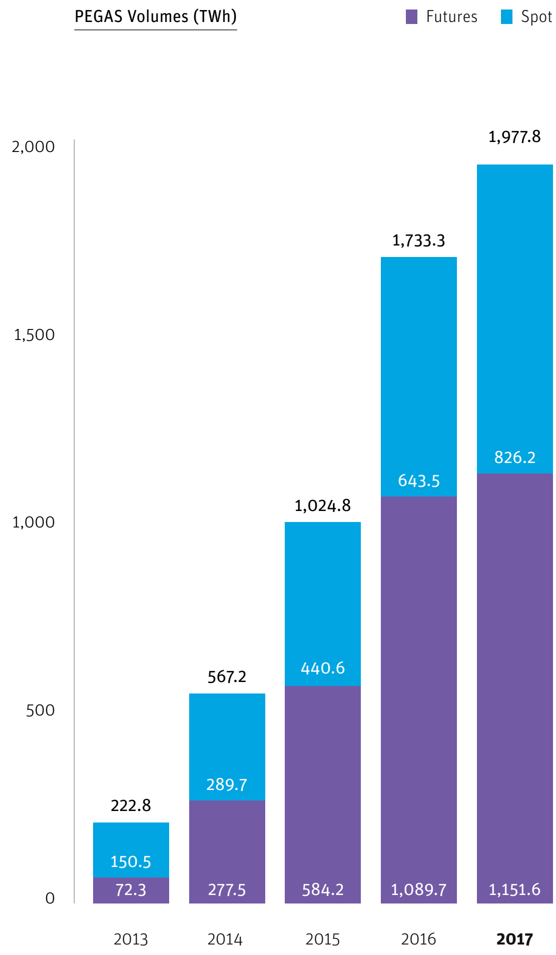
At a glance

One platform for one European Gas market

PEGAS is the EEX Group's central gas trading platform operated by Powernext.

PEGAS provides its members with access to all products on one single platform and allows them to trade natural gas contracts in the Austrian, Belgian, Danish, Dutch, French, German, Italian, Czech and UK markets. The product range of PEGAS covers spot and derivatives contracts for the major European gas hubs as well as trading in location and time spread products.

PEGAS Volumes (TWh)



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Trading participants

Our vision of the future

PEGAS aims to continue actively shaping the European internal energy market and seeks to become a global player in energy commodity markets.

From the PEGAS perspective, what was the highlight of 2017?
Since its launch in 2013, PEGAS has achieved many highlights each year. However, I would say the biggest achievement is growing into a veritable Pan-European gas platform which now covers 12 hubs across Europe. This development has also played a central role in shaping the internal European gas market. After the integration of the Austrian Central European Gas Hub (CEGH) and the Danish Gaspoint Nordic into the PEGAS platform in 2016, the Czech PXE market also joined in December 2017.

88.9 TWh

Trading volume (CEGH) 2017

In December 2016, PEGAS launched a cooperation with the Austrian Central European Gas Hub (CEGH). In 2017, exchange traded volumes for the PEGAS CEGH market almost tripled.

Questions to

Richard Katz – Director of Sales

What are your biggest ambitions for PEGAS for 2018?
PEGAS has established a strong position in the physical segment of the European gas markets and has become an important partner for TSOs to develop necessary technological solutions such as for balancing. As a next step, we would like to strengthen our role in derivatives trading and expand our customer portfolio. The migration of our derivatives market to the T7 platform is a first major step for facilitating trading in derivatives products. The introduction of options will be another milestone in the diversification of our product range.

Natural gas is increasingly becoming a global commodity as the importance of the LNG market grows in Europe, Asia and the US. PEGAS will encourage this trend by introducing LNG products in 2018, thereby supporting the group in its global ambitions.

cltx

At a glance

The Home of Global Commodities

As the EEX Group's Global Commodities arm in Asia, CLTX is a regulated futures exchange specialising in freight, ferrous metals, oil and coal. Located in Singapore, CLTX is regulated by the Monetary Authority of Singapore (MAS) as an RMO, clearing its own contracts at the group's clearing house European Commodity Clearing (ECC).

80

Trading participants

Innovation
In addition to offering its contracts for clearing at ECC, uniquely CLTX also offers its members access to other CCPs providing choice and a true best execution service. All exchange services of CLTX are accessible through an easy to use, secure, web delivered application – CLTX Portal.

CLTX Portal
The CLTX Portal offers a single point of entry to all clients and stakeholders in CLTX's markets. The Portal is the trading front end for OTC trade registration and order book trading for futures and options. Fast, secure STP links connect CLTX to multiple clearing houses, offering clients a choice of clearing at execution and live clearing status of all trades.

Price discovery and trade analytics are displayed in various formats, covering everything from market price and volume data to CCP margin comparisons and delivered via web, mobile and through leading quote vendors. In addition to ease of execution, CLTX Portal controls risk with a risk management engine which clearing members can use to set limits for their clients.

CLTX creates efficiency for its clients through electronic integration to their back office systems. All trades through the exchange can be automatically populated in traders' systems, cutting out the need for manual entry, thereby reducing errors and maximising efficiency.

What are your biggest ambitions for CLTX for 2018?
We are working incredibly hard to develop the global commodities segment, given our strategic location at the centre of the world's most important trade routes. The ambition for 2018 is to translate our knowledge and passion about commodities into great products that help the market better manage their price risks.

Looking at the industry in general, what would you consider to be the biggest trend that will effect CLTX and its customers?
Commodity markets are constantly changing, and windows of opportunity open and close, sometimes within a short time span. Aside from the important regulatory changes that currently affect companies on a worldwide basis, the biggest trend is the increased relevance of Asia as the new focal point for commodity trading.

CLTX is based in Singapore – what is the one thing you would recommend a colleague to do when visiting the City?
Singapore has a lot to offer, and is often referred to as an "East-meets-West" melting pot. If I had a day to explore the city, I would go on a culinary journey through the ethnic quarters that surround the central business district; start the day with some Kaya Toast in Chinatown, have some Nasi lemak for lunch in Kampong Glam, a spicy Fish head Curry in Little India, and finish the day with an international cocktail of your choice at one of the bars in the Marina Bay area.

72,590

Number of Trades Processed in 2017

Questions to

Erlend Engelstad – CLTX Senior Business Developer

› pxe

At a glance

Competence for the CEE Markets

Power Exchange Central Europe (PXE) is the Prague-based centre of competence for the Central and Eastern European power markets. As part of the EEX Group, PXE is committed to further developing products and services for the Czech, Slovak, Polish, Hungarian and Romanian markets.

Besides trading in standardised power futures, PXE also enables end customers – in particular municipalities, firms and government organisations – to find the most suitable electricity and natural gas supplier via electronic auctions at the best price possible and under fully transparent conditions.

Following the migration of the PXE power contracts to the EEX platform in June 2017, the trading volume increased by +188% to 49.0 TWh.

Integration
In 2017, PXE undertook several steps enabling market participants from the Western part of Europe to become more active in the Eastern part of Europe and vice versa, thus helping to develop a strong pan-European commodity market.

On 15 June, EEX and PXE successfully migrated contracts previously listed on PXE onto the EEX T7 platform. This transition means that more than 250 EEX trading participants are now able to trade PXE products without any additional administrative or technical measures.

In December, PXE, Powernext and the Austrian Central European Gas Hub (CEGH) finalised the launch of the PEGAS CEGH Czech Gas Market. All former products of the PXE gas market are listed under the Powernext license and this cooperation enables current PXE market participants to become more active in Western Europe.

Questions to

David Kučera, CEO of PXE

49.0 TWh

Power volume traded on the Czech, Slovak, Polish, Hungarian and Romanian power derivatives markets in 2017

4.3 TWh

Natural gas volume traded on the PXE Czech gas market (in cooperation with Austrian CEGH)

From a company perspective, what was your highlight of 2017?
Definitely the integration of the power and natural gas contracts onto the T7 trading platform. We expect this step to further strengthen the Central and Eastern European markets and increase liquidity.

How was the past year in general?
Our overall trading volumes on the power market rose by more than 50% in several products in comparison to previous years. So I am happy to say that 2017 was really a successful year for PXE and we achieved an all-time record in trading volumes.

At a glance

Meeting the Needs of the North American Energy Markets

Nodal Exchange is a derivatives exchange located in the United States. Nodal Clear, its wholly owned subsidiary, is the central clearing house for all its contracts. Together, they provide price, credit and liquidity risk management solutions to participants in the North American energy markets. Nodal Exchange provides the world's largest set of electric power locational (nodal) futures contracts.

As part of the EEX Group, Nodal Exchange currently offers over 1,000 power contracts on hundreds of unique US locations and a Henry Hub natural gas contract. Nodal Exchange is a designated contract market regulated by the US Commodity Futures Trading Commission (CFTC), and Nodal Clear is a CFTC registered derivatives clearing organisation.

27 %

Market Share of US Power Futures Open Interest

53

Employees

Trends
Participants increasingly trade more granular power locations in order to better hedge the many nodal pricing locations in the North American market. Nodal Exchange is designed to meet this evolving market need.

Success Story
Nodal Exchange is continuing its growth into a leading exchange in North America. At the 2017 Energy Risk Awards, Nodal Exchange won the award for exchange of the year as well as global clearing house innovation of the year for the margining methodology of its subsidiary Nodal Clear. Nodal Clear is a registered derivatives clearing organisation with leading risk capabilities. Nodal uses innovative portfolio margining with an expected short-fall methodology that is very risk protective while also being capital efficient.

>50,000

Expiries

394.9 TWh

Electric power volume cleared by Nodal Clear from May to December 2017

Questions to

Myhsel Guillory,
Chief Financial Officer & Treasurer

From a company perspective, what was your highlight of 2017?
Becoming part of the EEX Group. Nodal is very happy to be part of the EEX family of companies and believe it will enable Nodal to better serve its markets and achieve even higher growth as a result.

What are the benefits of being part of the EEX Group for Nodal Exchange?
As a strong network of exchanges in Europe, the EEX Group is well positioned to contribute to our further development. We are able to share expertise and technology in how to best serve the energy markets in Europe and North America. Nodal plans to transition to the industry leading matching engine technology used by the EEX Group in 2018 and to expand its product portfolio in energy over the course of the year – for example, in natural gas, which is already a significant market for the EEX Group in Europe.

What are Nodal's plans for expansion in 2018?
Diversification will be a theme for 2018. Nodal is excited about our growth prospects in power and gas, but we are also optimistic about expansion opportunities beyond energy, including plans to launch the first trucking freight futures in late 2018.

At a glance

One Clear Connection to Commodities

European Commodity Clearing (ECC) is the central clearing house for energy and commodity products in Europe and beyond. ECC assumes the counterparty risk and guarantees the physical and financial settlement of transactions.

As part of the EEX Group, ECC provides clearing services for CLTX, EEX, EPEX SPOT, Powernext and PXE as well as the partner exchanges HUPX, NOREXECO and SEEPEX, providing security and cross-margining benefits for its customers.

3,390.6 TWh

Electric power (cleared volume)

1,981.5 TWh

Natural Gas (Cleared Volume)

Consolidation and expansion

In 2017, ECC saw a further consolidation of its partner network working hand in hand. One example is the migration of the power and gas derivatives markets formerly operated by PXE onto the EEX and PEGAS platforms.

In 2018, clearing services will be expanded to new partner exchanges:

ECC and the Allocated Bullion Exchange (ABX), based in Australia, are leading a joint project to establish clearing for a set of ABX's physical precious metal spot products denominated in USD. The entry into a new asset class underscores the vision of ECC as a specialist multi-commodity clearing house.

Furthermore, ECC will start clearing and settlement for the new power exchange SEMOpx which will operate the day-ahead and intraday markets in Ireland. ECC has also started clearing services for Hungarian power derivatives contracts, which have been offered by HUDEX since January 2018.

In March 2018, ECC was given Recognised Clearing House (RCH) status by the Monetary Authority of Singapore (MAS) which also allows the clearing house to operate in Asia and connect CLTX as a partner exchange.

ECC connects

>450

Trading participants from

31

Countries

Questions to

Anja Drosdziok, Director Clearing Initiatives & Cooperations

What were your successes in 2017?
For us, meeting our client's needs and ensuring the benefits of our services have the highest priority. Therefore, I see the improvement of our nomination infrastructure as a key success of the past year. This makes us even more independent of maintenance work and ensures uninterrupted trading. Additionally in 2017, we were able to begin the process of connecting further partner exchanges to ECC. The one thing I am most proud of was to see how our teams pulled together and were able to achieve a large number of projects: Last year, ECC supported and launched 41 projects which included product launches at our partner exchanges and infrastructure measures.

What are your biggest ambitions for 2018?
In 2018, it will be important for us to remain focused on the development of smart business solutions and our client's needs despite the enormous regulatory challenges we and the whole industry are facing.

ECC is based in Leipzig – what is the one thing you would recommend a colleague does when visiting the city?
You should definitely explore Leipzig on its waterways. You can start in the city centre and go all the way to the huge lake district located in Leipzig's South. The former industrial areas which have been converted into loft apartments or are now home to art galleries, bars or restaurants have a very special charm. During Christmas time the Leipzig Christmas Market is definitely worth a visit, preferably together with your colleagues.

Guest Contribution

A world in transformation: World Energy Outlook 2017

Four large-scale shifts in the global energy system set the scene for the International Energy Agency's 2017 World Energy Outlook: the rapid deployment and falling costs of clean energy technologies, the growing electrification of energy, the shift to a more services-oriented economy and a cleaner energy mix in China, and the resilience of shale gas and tight oil in the United States.[1]

These shifts come at a time when traditional distinctions between energy producers and consumers are being blurred and a new group of major developing countries, led by India, moves towards centre stage. Together, these changes are opening up new opportunities for affordable, sustainable access to modern energy, reshaping our response to pressing environmental challenges and demanding a reappraisal of our approach to energy security.

[1] The IEA flagship publication World Energy Outlook (WEO), published in November of each year and widely regarded as the gold standard of energy analysis, provides strategic insight into what today's policy and investment decisions mean for long-term trends.

Fatih Birol
Dr Fatih Birol has served as Executive Director of the IEA since September 2015. Under his leadership, the IEA has undertaken its first comprehensive modernisation programme since the creation of the Agency in 1974. Prior to his nomination as Executive Director, Dr Birol spent 20 years as a staff member at the Agency, serving most recently as Chief Economist. He has been named by Forbes Magazine as one of the most influential people on the world's energy scene and was recognised by the Financial Times as energy personality of the year in 2017.

He is the founder and chair of the IEA Energy Business Council, one of the most active industry advisory groups in global energy. He also chairs the World Economic Forum's (Davos) Energy Advisory Board and serves on the UN Secretary-General's Advisory Board on 'Sustainable Energy for All'.

Clean energy on the rise
In our central scenario, the New Policies Scenario, global energy needs rise more slowly than in the past but still expand by 30% between today and 2040. The way that the world meets its growing energy needs is starting to change: the lead is taken by natural gas and the rapid rise of renewables. Improvements in efficiency also play a huge role, without which the projected rise in final energy use would more than double.

Renewables capture two-thirds of global investment in power plants as they become, for many countries, the cheapest source of new generation. Rapid deployment of solar photovoltaics (PV), led by China and India, helps solar become the largest source of low-carbon capacity by 2040, by which time the share of all renewables in total power generation will have reached 40%.

Policies continue to support renewable electricity worldwide, increasingly through competitive auctions rather than feed-in tariffs. Millions of households, communities and businesses start to invest directly in distributed solar PV. The direct use of renewables to provide heat and mobility worldwide also doubles, albeit from a low base.

“Renewables capture two-thirds of global investment in power plants.”

Increasing electrification
Electricity is the rising force among worldwide end-uses of energy, making up 40% of the rise in final consumption by 2040. Industrial electric motor systems account for one-third of the increase in power demand while rising incomes mean that many millions of households add electrical appliances and install cooling systems.

“The world gains, on average, 45 million new electricity consumers each year.”

The world also gains, on average, 45 million new electricity consumers each year thanks to expanding access to electricity but this is still not enough to achieve universal access by 2030. Electricity makes inroads in supplying heat and mobility, allowing their share of final consumption to rise to nearly a quarter. Industry initiatives and policy support push our projection for the global electric car fleet up to 280 million by 2040, from 2 million today.

The challenge for policymakers is to ensure sufficient investment in networks and in a mix of generation technologies that best meet the needs of power systems. Flexibility and interconnection become vital as the contribution of wind and solar PV grows. The proliferation of digital technologies improves efficiency and facilitates the flexible operation of power systems, but also creates potential new vulnerabilities that need to be addressed.

A cleaner economy in China
China is entering a new phase in its development, with the emphasis in energy policy now firmly on electricity, natural gas and cleaner, high-efficiency and digital technologies. Demand growth is slowing rapidly, to less than 2% per year since 2012, and to an average of 1% per year by 2040. Energy efficiency regulation explains a large part of this slowdown: without it, end-use consumption in 2040 would be 40% higher.

While China retains a towering presence in coal markets, the scale of its clean energy deployment, technology exports and outward investment makes it a key determinant of momentum behind the low-carbon transition: one-third of the world’s new wind power and solar PV is installed in China. It also accounts for more than 40% of global investment in electric vehicles, a quarter of the projected rise in global gas demand and, in our scenario, overtakes the United States as the largest oil consumer around 2030.

Stringent fuel-efficiency measures for road transport, however, and a shift towards greater electrification by 2040, mean that China is supplanted by India as the main driving force behind global oil use. It remains a major player in global coal markets, but coal use is set to decline by almost 15% over the period to 2040.

Global gas and shale oil market: a key role for the United States

In the United States, a remarkable ability to unlock new resources in a cost-effective way pushes combined oil and gas output to a level 50% higher than any other country has ever managed: already a net exporter of gas, it becomes a net exporter of oil in the late 2020s. Expansion on this scale has wide-ranging impacts within North America, fuelling major investments in petrochemicals and other energy-intensive industries. It also prompts a realignment of international trade flows and challenges incumbent suppliers and business models.

By the mid-2020s, the United States becomes the world's largest liquefied natural gas exporter and a few years later a net exporter of oil. It remains a major importer of heavier crudes that suit the configuration of its refineries, but a larger exporter of light crude and refined products. This reversal is by no means only a supply-side story; without continued improvements in fuel-economy standards, the United States would remain a net oil importer. In our projections, North America emerges as the largest source of additional crude oil to the international market.

Sustainable Corporate Governance

Corporate Responsibility

As a global group, we strongly value sustainable corporate governance. Not only does this include the protection of the environment in our daily work, such as reducing waste or recycling, but also the support of social projects at our various locations as well as numerous activities we offer our employees.

Our employees participate in numerous local sports events, such as the company run, the SachsenBeach beach volleyball tournament or the dragon boat race.

Health

We actively promote the health of our employees. Besides regular activities such as sport classes and an in-house massage service as well as a daily range of fresh fruits and vegetables, we also organise an annual Health Day. On 18 October 2017, employees at our Leipzig, London, Paris and Amsterdam locations, were able to obtain information and receive check-ups for a healthy mind and body to ensure they are able to function at work.

During our Sustainability Day, more than 50 colleagues took advantage of the opportunity to learn more about urban gardening, recycling or different methods of energy production.

Sustainability Day

We are convinced that handling resources with care and thus protecting the environment in the long term requires the support of each individual. Therefore, we organised sustainability days in Leipzig and Paris to present and visit sustainable projects.

We supported the following projects in 2017 as part of our charitable activities:

Leipzig

- Zukunft für Kinder
  (A Future for Children)
- Leipziger Kinderstiftung
  (Childrens Foundation Leipzig)
- Urban Soul
- Ökolöwe – Umweltbund Leipzig e.V.
  (Eco Lion – Environmental Organisation)
- Auwaldstation Leipzig
  (Meadow Wood Station Leipzig)
- Anna Linde gGmbH

Houston

- Hurricane Victims

Paris

- Face au Monde
  (Face the world)

Prague

- Dejme detem šanci
  (Let’s Give Children a Chance)

Iris Weidinger, Chief Financial Officer of EEX

"With the Excellence Award we support young people in developing creative and well-founded solutions for energy and commodity trading in the future."

Excellence Award

With our Excellence Award we rewarded excellent academic theses in the field of energy and commodity trading. The five theses, that were awarded this distinction in 2017, covered diverse topics in the fields of agriculture, emissions, power spot and derivatives markets.

Social Day

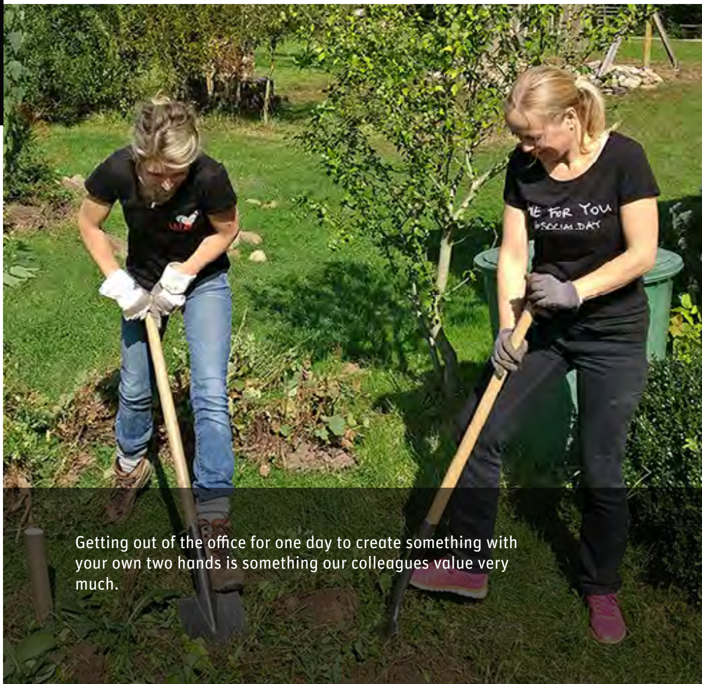
Our Social Day took place again on 8 September in Leipzig. Besides handcrafts and gardening activities, interacting with residents of nursing homes was also part of the programme. Over 100 colleagues helped out at six institutions in and around Leipzig.

6

Facilities

>100

volunteering colleagues



Getting out of the office for one day to create something with your own two hands is something our colleagues value very much.

Christmas

Charitable commitment is close to our hearts. Therefore we launch many campaigns – especially in the pre-Christmas season – to which colleagues are able to contribute for people in need.

In the scope of our cookie sale on 5 December, colleagues donated over 200 € in total for Hospiz Advena in Leipzig and the association Elternhilfe Leipzig e. V.. For our campaign "Weihnachten im Schuhkarton" our colleagues packed 14 packages for children in need. What is more, our colleagues in Leipzig and London bought over 300 christmas presents for children in care who hung their wishes on our Christmas tree.

In Prague our colleagues also made some wishes true by supporting a Christmas campaign called Strom splnenych prani tree. Colleagues in Paris donated new toys for kids to support the project "Secours Populaire" which provides families with the chance to buy new toys for their kids for the symbolic price of 1 €.

Consolidated Management Report

for the 2017 Financial Year

Rounding differences of ± one unit may occur in tables for arithmetical reasons.

1. Basics regarding the Group

Business activities and group structure

Business model
The European Energy Exchange AG (EEX), with its registered office in Leipzig, Germany, is Europe's leading energy exchange and a member of the Deutsche Börse Group. It was established in 2002 as a result of the merger of two German power exchanges in Frankfurt/Main and Leipzig. Since then, it has evolved from its origins as a pure power exchange into a leading trading platform for energy and related products with international partnerships.

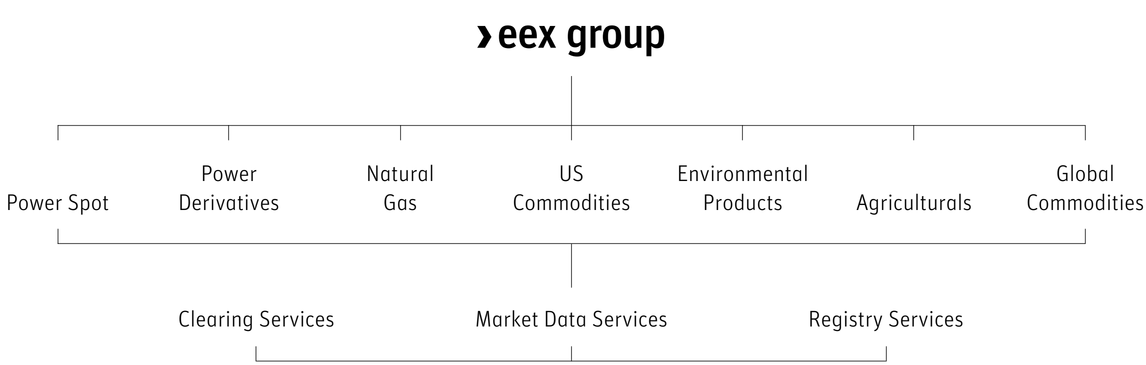
EEX AG is part of the EEX Group which provides a central market platform for energy and commodity products for participants in more than 30 countries worldwide. EEX Group companies focus on specific markets in order to ensure their targeted development. They establish a local presence in their core markets and, as a result, meet their customers' demand for tailor-made solutions and simple market access. The EEX Group's synergetic and integrated portfolio is complemented by two clearing houses that ensure transactions concluded or registered on the exchange are correctly cleared and settled.

As of 31 December 2017, the EEX Group, which is part of the Deutsche Börse Group, had 16 companies or offices in Amsterdam, Berlin, Bern, Brussels, Copenhagen, Leipzig, London, Luxembourg, Madrid, Milan, Oslo, Paris, Prague, Singapore, Washington D.C. and Vienna and employed a total of 542 employees.

Business areas and product portfolio
Generally, exchange trading is divided into spot and derivatives markets. Trading transactions concluded on the spot market are settled physically, at the latest two days after their conclusion. As a result, the spot market facilitates the short-term optimisation of procurement and production. On the other hand, trades concluded on the derivatives market are settled physically or financially at a later point in time agreed in advance. As such, the derivatives market permits the optimisation of medium to long-term portfolios.

In addition to exchange trading, transactions can also be registered for clearing (trade registration). As a result, trading participants can register transactions concluded over-the-counter on the exchange and have these settled via European Commodity Clearing AG (ECC). Therefore, the participants benefit from standardised processes and protection against payment and/or delivery default.

In terms of organisational structure, the EEX Group's range of services is divided into seven commodity-specific and three cross-commodity business areas:



The most important business areas for the EEX Group are the spot and derivatives markets for power and natural gas. Approximately 80 percent of the EEX Group's sales revenue is generated through trading and clearing the products offered in these business areas.

Within the commodity-specific business areas, the following products were offered for trading and clearing during the year under review[1]:

Power Spot	• Intra-day and day-ahead products for Germany, France, Austria, Switzerland, Belgium, the Netherlands and the United Kingdom • Day-ahead products for Serbia • Capacity certificate products for France • Market coupling products and services to Transmission System Operators
Power Derivatives	• Futures and trade registration services for Germany, Austria, France, Italy, Spain, the Netherlands, Belgium, Switzerland, the United Kingdom, the Nordic countries, Poland, the Czech Republic, the Slovak Republic, Hungary and Romania • Trade registration services for Greece • Options for Germany, Austria, France, Italy and Spain • Energy transition products: intraday cap/floor futures and wind power futures • Non-MTF power derivatives for Germany/Austria and France • Tender services in the Czech Republic
Natural gas	• Spot and derivatives products and trade registration services for Germany (GASPOOL, NCG market areas), France (PEG Nord, TRS), the Netherlands (TTF), Belgium (ZTP, ZEE), the United Kingdom (NBP), Denmark (ETF), Austria (CEGH) and the Czech Republic (CEGH CZ) • Derivatives products and trade registration services for Italy (PSV) • Tender services in the Czech Republic
US Power and Gas	• Local power derivatives products (futures and options) for various sites in a number of power markets in North America (ISO-NE, NYISO, PJM, MISO, ERCOT, SPP, CAISO and Mid-C) • Henry Hub gas contracts
Environmental products	• Spot and derivatives products for secondary trading in emission allowances (EU Emission Allowances – EUA; EU Aviation Allowances – EUAA; Certified Emission Reductions – CER) • Primary spot market auctions for emission allowances – (EUA, EUAA) for 27 EU member states • Guarantees of Origin for hydroelectric power from Scandinavia and the Alpine region and guarantees of origin for wind power from the North Sea region
Agriculturals	• Futures on butter, skimmed milk powder and whey powder • Futures on European processing potatoes • Futures on fertilisers
Global Commodities	• Futures on freight rates and container capacities • Futures on fuel oil • Futures on iron ore (iron ore and steel) • Futures on coal • Futures on wood pellets • Options on freight rates

The cross-commodity business areas primarily offer the following services:

Clearing Services	• Provision of infrastructure and services for executing clearing and settlement of trades in the above-mentioned business areas • Risk management services • Clearing services for partner exchanges that are not part of the EEX Group: – HUPX (spot and derivatives market for power in Hungary) – NOREXECO (derivatives market for pulp and paper)
Market Data Services	• Services in connection with EEX Group European trading data • Services in connection with generation, storage and consumption of data in the area of power and gas in Europe • Services in the area of data reporting and regulatory reporting
Registry Services	• Registration services for guarantees of origin for power • Registration services for capacity guarantees

Group structure

The following companies are part of the EEX Group: European Energy Exchange AG (EEX), EPEX SPOT SE (EPEX), Powernext SAS (Powernext), Cleartrade Pte Ltd. (CLTX), Power Exchange Central Europe a.s. (PXE), Nodal Exchange Holdings, LLC (Nodal Exchange) and the clearing houses ECC and Nodal Clear, LLC (Nodal Clear).

EEX AG offers derivatives trading in coal and freight as well as guarantees of origin. It operates the Market Data Services business area for all companies based in Germany and provides the technical connection environment for these companies' customers. It also works according to service level agreements as a central service provider for its subsidiaries.

[1] Products generating the highest sales in each respective business areas are underlined.

The trading services of the power derivatives segment are focused within the wholly-owned subsidiary EEX Power Derivatives GmbH (EPD). Trading services for environmental products (except for guarantees of origin) are provided by Global Environmental Exchange GmbH (GEEX); corresponding services for agricultural products (with the exception of fertilisers) are provided by Agricultural Commodity Exchange GmbH (ACEX).

In addition, as of 31 December 2017, EEX continued to hold 100 percent of the shares in APX Shipping B.V. (APX, in liquidation on the balance sheet date) and EEX Link GmbH (EEX Link), which was set up in the 2016 financial year and provides services to bundle the liquidity between the regulated exchange markets for power and gas as well as the so-called Non-MTF markets.

France-based EPEX including APX Group (acquired in the 2015 financial year) provides trading and market data services for the power spot business area (with the exception of the Czech Republic). EPEX also provides market coupling services to Transmission System Operators and exchange services to other power exchanges in Serbia, Hungary, Slovakia and Ireland. In addition, EPEX holds 25 percent of the shares in the South Eastern European Power Exchange (SEEPEX), an exchange operating a spot market with delivery in Serbia.

Together with its subsidiaries, the French Powernext provides trading services as well as market data services within the natural gas business area. In addition, Powernext operates the French registry of guarantees of origin for power and is, therefore, also active in the Environmental Products business area. In the 2017 financial year, Powernext held 100 percent of the shares in the Danish Gaspoint Nordic A/S (Gaspoint Nordic) and 51 percent of the shares in PEGAS CEGH Gas Exchange Services GmbH (PCG), which is a joint venture with Austrian Central European Gas Hub AG (CEGH) and operates the Austrian gas market.

In the 2017 financial year, EEX acquired the remaining 12.3 percent of the shares in Powernext from the previous shareholders 3GRT and EDF and is now the sole shareholder of this company. Since Powernext holds a further 40.31 percent of the shares in EPEX, this transaction also increased the direct and indirect shareholding of EEX in EPEX to 51 percent. The remaining 49 percent of the shares in EPEX are held by the consortium HGRT consisting of several European TSOs.

In the 2017 financial year EEX held, in total, two thirds of the shares in the Czech PXE, which operates the power spot business field in the Czech Republic. PXE provides trading services and also offers market data services for its products.

In addition, EEX holds 100 percent of the shares in CLTX. This derivatives market operator, regulated by the supervisory authority in Singapore, offers a global electronic market platform for commodity derivatives, such as freight, iron ore, fuel oil, coal, fertiliser, steel and container contracts. As a result, it essentially operates the Global Commodities business area – in conjunction with EEX. Moreover, with its fertiliser futures, CLTX also operates within the Agriculturals business field.

With EEC and its subsidiary European Commodity Clearing Luxembourg S.à.r.l. (ECC Luxembourg) the EEX Group has a clearing house operating throughout Europe. Its range of services comprises clearing and settlement for all transactions concluded or registered on the European market platforms of the EEX Group as well as the operation of the Clearing Services business area.

On 1 May 2017, EEX acquired 100 percent of the shares in the US derivatives exchange Nodal Exchange, which, in turn, holds 100 percent of the shares in the subsidiaries Nodal Exchange, LLC and Nodal Clear. Upon the acquisition of Nodal Exchange, the EEX Group entered the North American energy markets and expanded its global presence as well as its trading participant base in line with its growth strategy. Nodal Exchange is a regulated derivatives exchange which, at present, offers more than 1,000 power and gas contracts at hundreds of sites in North America and provides market participants with products to hedge against price risks in the United States. All transactions at Nodal Exchange are cleared by Nodal Clear.

Shareholder and capital structure

Following the registration of the capital increase adopted on 16 December 2016 and of the associated amendment to the articles of association in the commercial register on 2 February 2017, the nominal capital of EEX amounted to EUR 60,075,000. The subscribed capital consists of 40,050,000 registered, voting, no-par shares ("common shares") and 20,025,000 registered, non-voting, no-par value shares ("preferential non-voting shares"), each having a nominal value of EUR 1 per share.

In 2011, Eurex Zurich AG became the majority shareholder in EEX AG and, with a current shareholding of 75.05 percent it is the only shareholder holding more than 10 percent of the company's capital.

EEX shareholders (as of: 31 December 2017):

Shareholder	Country	Voting rights in %	Nominal capital in %
Eurex Zürich AG	CH	62.82	75.05
50Hertz Transmission GmbH	DE	7.73	5.15
LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH	DE	7.38	4.92
Uniper Global Commodities SE	DE	5.86	3.91
Free State of Saxony	DE	4.51	3.01
EnBW Energie Baden-Württemberg AG	DE	3.46	2.31
Enel Trade S.p.A.	IT	2.22	1.48
EWE Aktiengesellschaft	DE	1.00	0.67
MVV Energie AG	DE	1.00	0.67
Edison S.p.A	IT	0.76	0.50
EDF Électricité de France	FR	0.67	0.45
VERBUND Trading GmbH	AT	0.67	0.45
DB Energie GmbH	DE	0.65	0.60
Naturkraft Energievertriebsgesellschaft m.b.H.	AT	0.51	0.34
Iberdrola Generación España, S.A.U.	ES	0.50	0.33
SWU Energie GmbH	DE	0.25	0.17
City of Leipzig	DE	0.01	0.01

Shares held by EEX AG itself as of the reporting date (31 December 2016) corresponding to a calculated share of EUR 58,498 in the nominal capital were sold to existing shareholders in the course of the 2017 financial year.

Corporate management

As a German public limited company, EEX incorporates the following statutory bodies/functions: the annual general meeting, the Supervisory Board and the Management Board, each with their own competencies.

At the annual general meeting, members of the Supervisory Board are appointed, resolutions approving the activities of the Management Board and of the Supervisory Board are adopted and decisions are made on the distribution of the balance sheet profit.

The Supervisory Board appoints, monitors and advises the Management Board and is directly involved in decisions which are of fundamental importance to the company. It also adopts the annual financial statements prepared by the Management Board. At present, the Supervisory Board has 18 members, each with a term of office of three years.

The Management Board manages the company and is coordinated by the Chief Executive Officer (CEO). The CEO represents the company publicly and also has a leading role in verbal and written communications with the Supervisory Board.

As of 31 December 2017, the EEX Management Board consisted of seven members: in addition to the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the Chief Operations Officer (COO), the Chief Risk Officer (CRO), the Chief Strategy Officer (CSO), the Executive Director Power Spot Markets and the Executive Director Gas Markets are in charge of the company's operations.

Members of the EEX Management Board as of 31 December 2017

Peter Reitz Chief Executive Officer	Member since 1 August 2011
Jean-François Conil-Lacoste Executive Director Power Spot Markets	Member since 1 January 2015
Steffen Köhler Chief Operating Officer	Member since 1 March 2012
Dr Egbert Laege Executive Director Gas Markets	Member since 1 January 2015
Dr Dr Tobias Paulun Chief Strategy Officer	Member since 1 January 2015
Dr Thomas Siegl Chief Risk Officer	Member since 1 September 2012
Iris Weidinger Chief Financial Officer	Member since 15 August 2008

As an exchange under the German Exchange Act, EEX has an Exchange Council, a Management Board of the Exchange, Market Surveillance and a Sanctions Committee. The Exchange Council represents the interests of trading participants and is involved in all fundamental decisions of the exchanges. Its tasks include, in particular, adopting the rules and regulations of the exchange. The Exchange Council is also tasked with supervising the Management Board of the exchange and appointing the Head of Market Surveillance. It consists of 24 members, 19 of whom are elected directly by trading participants. In addition, four associations delegate one representative each to the Exchange Council. Furthermore, one representative from the field of energy science is elected by the Exchange Council itself. As of 31 December 2017, the Management Board of the Exchange consisted of EEX's COO, CSO and its Director of Sales Power, Environmental Markets, Training & Education.

The strategic goal of the Group is to become a global commodity exchange in the coming years.

Strategy and group management

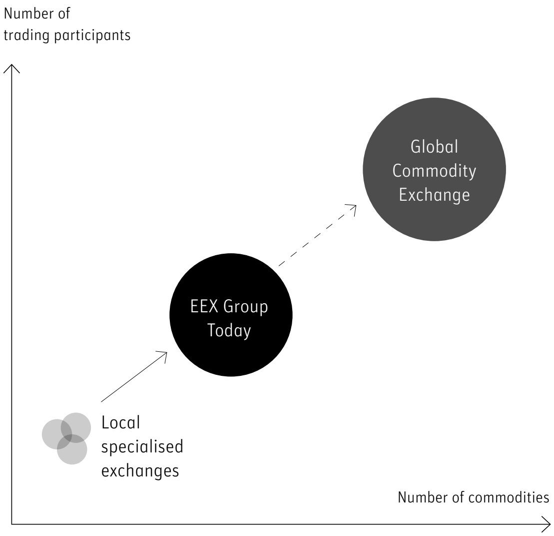
Strategy

The market environment of the EEX Group is shaped significantly by the following relevant trends:

- Increasing maturity of energy trading in Europe
- Increased competition and price pressure
- Growing customer requirements
- Professionalisation of exchange platforms
- Amendments to existing and introduction of new regulatory measures

The increasing standardisation of products, globally operating exchanges on the market and the substantial share of financial market players in trading all reflect the growing maturity of the markets. At the same time, competition and price pressure are increasing. In the context of growing competition and technical progress, customer requirements regarding product range, prices and technical standards have increased and have forced exchanges to continuously develop their range of products and services. The growing awareness of risk among market participants as well as the challenges of energy and financial market regulations strengthen the importance and benefits of central clearing. In this enduring and difficult market environment, the EEX Group has established itself as an integrated energy exchange in Europe with its "one-stop-shop" business model and, in 2017, successfully continued to develop its diversification strategy beyond Europe with the acquisition of the US Nodal Exchange.

Global markets still hold extensive growth potential for the EEX Group. Having now significantly expanded its range of services for the American energy markets, over the next few years the EEX Group will pursue a strategy of transforming itself into a global trading platform for commodities based on its current market position as the leading European energy exchange.



In order to achieve this strategic aim, the EEX Group will rely on the simultaneous development of its business areas and continue to focus on the following three strategic directions in the future:

- Further development in existing markets
- Expansion of its geographical reach
- Further diversification and growth in new business areas

In 2017, EEX reached a further milestone en route to becoming a globally operating commodity exchange. It acquired 100 percent of the shares in Nodal Exchange. As a result, the EEX Group was able to expand its global presence and significantly increase its trading participant base.

Further important strategic steps designed to strengthen existing services include the successful transfer of open positions in the freight derivatives market from LCH Ltd. (LCH) to ECC as well as the EEX cooperation agreement with IncubEx regarding the further expansion of liquidity in environmental products and relevant commodities.

Thanks to its investment in enermarket, a B2B portal for electricity brokerage and, in future, also gas supply contracts for commercial customers, EEX together with innogy SE and Süwag Vertrieb AG & Co. KG provides an alternative within a market environment increasingly shaped by decentralisation and digitalisation and, as a result, develops new opportunities for the further expansion of its portfolio.

Furthermore, in respect of the continuous expansion of its core markets, the EEX Group concentrates, in particular, on the following activities:

- Refining its product portfolio in order to complete the range of available maturity dates
- Develop and implement product innovations and process optimisations
- Connect further international participants
- Shift trading volumes from the non-cleared OTC market to the exchange

The specific measures and product innovations implemented in the individual business areas in the 2017 financial year are addressed in more detail in the section "Economic position" under the subsection "Business development".

Management control

Essentially, the EEX Group uses the parameters of annual net profit and earnings before tax (EBT) as well as (net) sales revenue and fixed costs as the main factors for all group companies to indicate corporate success.

Net sales revenue consists of sales revenue (transaction revenue and other sales revenue) as well as other operating income less variable costs. The main factors influencing net sales revenue are transaction fees, variable fees and variable costs dependent on the trading and clearing volumes generated, performance-related reimbursements to certain market participants, such as market makers, brokers or liquidity providers as well as sales- or volume-based components included in certain IT, index and balancing group contracts.

All costs which are not directly linked to the amount of the transaction fees are defined as fixed costs. As regards fixed costs, the Group differentiates between staff expenses, depreciation/amortisation and other operating costs.

Approximately 87 percent of the total costs of the EEX Group were fixed costs in 2017 (2016: 86 percent). As a result of this cost structure, the EEX Group is able to generate economies of scale and, therefore, settle additional trading volumes to a satisfactory level without a significant increase in total costs. This is confirmed by a growing EBT margin (ratio of EBT to gross sales revenue) and applies, in particular, to established products and markets. In the past, economies of scale were largely observed on the power derivatives market. New or less developed products and markets, on the other hand, require long-term investment, meaning that no or lower economies of scale can be achieved initially with them. The high share of fixed costs, however, also means that a decline in business volumes has a direct negative impact on the profitability of the Group.

Due to the considerable share of non-controlling interests within the generated Group result, the controlling parameters of the "adjusted EBT" and "adjusted net income" have been used at a Group level since January 2015 in addition to the parameters mentioned above. These refer to the EEX Group result according to the International Financial Reporting Standards (IFRS) and adjusted for the following two aspects:

- Transaction-related one-off effects
- Profit shares of non-controlling interests

The corresponding values of the parameters for 2017 are explained in the section "Earnings position". Forward-looking statements on the parameters are provided in the "Outlook report" section.

Research and development

As a service provider, the EEX Group does not engage in any research and development activities, that are typical for similar manufacturing companies, for example. New developments of products and services for 2017 are covered in the "Business development" section, while future developments are described in the "Risk and opportunities report".

2. Economic position

Macro-economic, industry-specific and regulatory framework

Essential factors influencing EEX Group transaction revenue
The EEX Group's total transaction revenue is influenced by three key factors: In addition to the size of the overall market, the transaction revenue depends on the market share achieved as well as its fee structure. Market share and fee structure are monitored in the context of the implementation of the group strategy and management control by focusing on strengthening the competitive position of the EEX Group and positioning the Group as a global commodities trading platform. In contrast, the size of the overall market cannot be influenced by the EEX Group and, essentially, depends on the following factors:

- Physical energy consumption and market maturity (churn rate)
- Price development and volatility on the energy markets
- Regulatory framework

The positive economic development in Europe led to an increased energy consumption.

Physical energy consumption and market maturity
According to a joint analysis by Agora Energiewende from Germany and Sandbag from the United Kingdom, physical energy consumption in Europe has risen for the third year in a row and, in 2017, it was 0.7 percent higher than in the previous year. This development was essentially driven by colder weather at the beginning of the year compared with 2016 as well as the continued economic upturn in Europe. Consumption increased despite energy savings and efficient energy use. In the European Union, more power was produced from wind, solar power and biomass than from hard coal and lignite together for the first time in 2017. The energy mix consisted of

44 percent fossil fuels, 30 percent renewable energies and 26 percent nuclear energy. In Germany, energy consumption increased by 0.8 percent in 2017 compared to the previous year according to calculations by the Working Group on Energy Balances (AGEB).

Moreover, natural gas consumption also increased throughout Europe in the previous financial year with growth in this segment being driven, in particular, by the increased use of natural gas in the energy sector. According to the quarterly report of the European Commission on European gas markets, gas consumption in the European Union rose by 6 percent in the first quarter of 2017 and by as much as 11 and 14 percent, respectively, in the two following quarters compared with the reference quarters in 2016. Figures for the fourth quarter were not yet available at the time this report was compiled.

Year-on-year, overall energy consumption in the United States declined by 0.1 percent during the first ten months and, as a result, recorded a slight fall for the second year in a row. The energy mix in the US consisted of 80 percent fossil fuels, 9 percent nuclear energy and 11 percent renewable energies.

The maturity of the individual energy markets is measured with the help of the so-called churn rate. This parameter indicates how often a mega-watt hour of power or natural gas is traded on the markets before it is actually physically delivered. This means it corresponds to the proportion between the total trading volume and energy consumption. The higher the churn rate the higher the liquidity of the market and, hence, its market maturity.

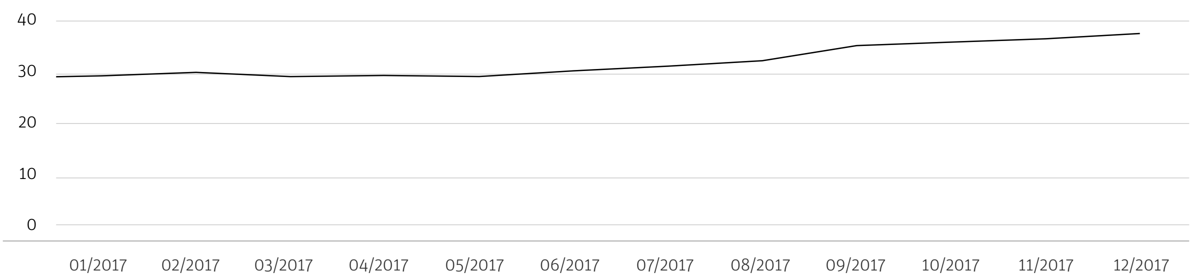
According to the European Commission's quarterly report on European energy markets, the churn rates of almost all European energy markets declined in the first quarter of 2017 because of reduced trading volumes compared with the first quarter of 2016. In a quarter-on-quarter comparison, the churn rate of the German power derivatives market increased to 14.3, but it was still significantly lower than the record level of 19.0 achieved in the fourth quarter of 2016. However, Germany remained the most mature market. All other European power derivatives markets had a churn rate of 5.0 at most. During the same period, the churn rate on the French power derivatives market declined by half to 1.4, while in Italy it was approximately 1.5 and in the United Kingdom 4.0. This trend towards a decline in the churn rate did not continue in the second quarter of 2017. The churn rates largely remained stable. In gas markets, the Dutch TTF (Title Transfer Facility) market area had the highest churn rate (57.1) in 2016. It was followed by the British NBP (National Balancing Point) market area at 22.1. As a result, these two hubs were the only ones with a churn rate of more than 10. In 2015, the churn rates were 47.7 for TTF and 28.5 for NBP. Churn rates for the full 2017 financial year were not yet available when this management report was written.

Price development and volatility on the energy markets
The price decline observed in previous years did not continue in the 2017 financial year. While an annualised mean price of only EUR 28.98 per MWh was paid on the German day-ahead market for power in 2016, this price rose to EUR 34.19 per MWh in 2017. Market participants who bought base-load power for 2018 on the derivatives market (Phelix baseload year future) in 2017 paid on average EUR 32.05 per MWh (2016: EUR 26.58 per MWh). Moreover, the monthly EGIX gas price index had an average price level of EUR 17.11 per MWh during the year under review and was, therefore, 21 percent higher than in the previous year (EUR 14.13 per MWh).

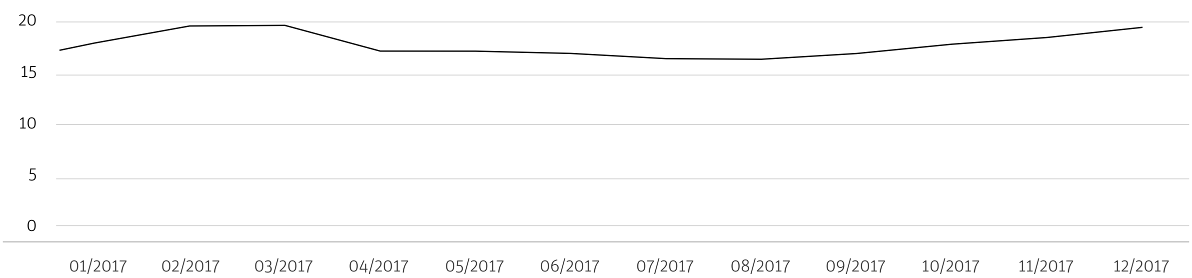
In the United States, the average power price is usually around EUR 10 per MWh lower than in the EU.

In general, the 2017 financial year was shaped by low volatility, i.e. less pronounced price fluctuations, in particular on the power derivatives markets. Due to unscheduled production downtime at around one third of French nuclear power plants due to inspection activities ordered at short notice in the autumn and winter of 2016, significant price increases were observed on the power derivatives markets towards the end of that year. This trend did not continue in the 2017 financial year, which was characterised instead by increased restraint on the part of the trading participants. The lower range of fluctuation in commodity prices led to a reduced demand for the adjustment of hedging positions and, as a result to lower trading activities overall.

2017 price development of the Phelix Baseload Year Future with delivery in 2018 in €/MWh



2017 price development of the monthly EGIX gas price index in €/MWh



Regulatory framework

In 2017, the energy markets were again characterised by adjustments to existing measures and discussions regarding the introduction of new regulatory requirements. While new legislative initiatives were not implemented in 2017 in Germany due to Bundestag elections, the debate at the European level was shaped by the so-called "Clean Energy Package". In addition, the focus was primarily on implementing adopted measures. The most important projects for energy trading were or remain:

- The design and national implementation of the revised EU Markets in Financial Instruments Directive (MiFID II) and the associated EU MiFIR regulation
- The further development of power market design at a European level in the framework of the "Clean Energy Package"
- The agreement between the Federal Network Agency and E-Control regarding the introduction of congestion management measures at the German-Austrian border and, hence, the division of the German-Austrian price zone into two market areas as well as the continued discussion regarding potential further divisions
- The codification of the role of exchanges in market coupling in the scope of the EU regulation on capacity allocation and congestion management ("CACM")

The revised **EU Markets in Financial Instruments Directive (MiFID II)**, which came into effect on 3 January 2018, significantly changed the rules for trading in commodity derivatives. The general exception for commodity derivatives, which had previously applied, was replaced by an "ancillary activity exemption". As a result, only trading participants with relatively low trading activities will be exempt from MiFID II requirements. This could lead to a situation in which a number of energy traders might be forced to reduce their trading activities (relative to their other activities) accordingly. Furthermore, this process may be reinforced by position limits for commodity derivatives traded on the emission markets from 3 January 2018 onwards. As a result, caps will apply which may not be exceeded cumulatively by individual companies or corporate groups with regard to holding derivatives as of that date. In the event that these limits are exceeded, trading participants would consequently have to reduce positions and restrict their trading activities if required. In addition, certain trading activities which are carried out at an Organised Trading Facility (OTF) – a new trading platform category introduced under MiFID II – will be exempt from MiFID II. In contrast, similar transactions which are concluded in a regulated market or on an exchange are part of the scope of application of MiFID II. We cannot rule out that such unequal regulatory treatment might induce shifts in volumes from regulated markets to OTFs. At the same time, we have also observed the first signs of a trend among market participants towards moving trading activities to regulated markets as a result of MiFID II. Moreover, in the framework of the revised MiFID II, there is an additional requirement for so-called position and transaction reporting which has to be prepared by the exchanges with the support of trading participants. Due to regulatory uncertainty and delays in this process, implementation problems might occur, especially, at the beginning of 2018.

While new power market legislation meant that important trend-setting decisions for future **power market design** were taken in Germany in the previous year, the debate is now in full swing at the European level. In the framework of the so-called **Clean Energy Package**, the European Commission submitted proposals regarding the further development of the power market. In addition to basic questions regarding market design, such as securing free and unobstructed pricing, these also include aspects of cross-border trading, the promotion and integration of renewable energies as well as questions of control with a view to ACER. In the framework of the ordinary EU legislative process, both the European Parliament and member states are now looking into these matters. However, because of the abundance of new rules, concrete results and legally binding decisions can be expected in the course of 2018 at the earliest.

The debate regarding the **restructuring of bidding zones** on the power market as a result of grid congestion and insufficient grid expansion has reached a critical phase. In this process, the Federal Network Agency and E-Control have agreed to introduce measures for congestion management at the German-Austrian border from October 2018 onwards. The transmission system operators were asked to make corresponding preparations which, as a result, correspond to a division of the current common price zone. At present, talks

While new power market legislation meant that important trend-setting decisions for future power market design were taken in the Germany in the previous year, the debate is now in full swing at the European level.

with transmission system operators are ongoing regarding the implementation of these measures. While this implementation goes ahead, legal action is pending and, at a European level, processes for the far-reaching restructuring of price zones are underway with possible consequences for this as well as other price zones. From the perspective of the EEX Group, care has to be taken to ensure that any division of the market is designed in such a way as to minimise any possible impact on the market.

Originally, the **EU Regulation on Capacity Allocation and Congestion Management ("CACM")** was designed to facilitate stronger cross-border cooperation between the respective transmission system operators in the form of a technology and operations guideline. In 2015, this guideline took effect and has three principal aims:

- To introduce uniform day-ahead and intraday market coupling with the help of harmonised rules regarding capacity calculation, congestion management and power trading
- To promote competition at all levels of the value chain and create the necessary framework
- To optimise the utilisation of transmission infrastructure

CACM is of great importance for the spot exchange, in particular because it introduced a new concept: the "nominated electricity market operator" (NEMO). This helps to codify the role of exchanges in the context of market coupling – a role which has only been assumed as de-facto so far. In other words, it formulates and validates the roles and tasks in legal terms. The concrete rules themselves will also be submitted to a review and developed further if required. As a result, new rules for cooperation between NEMOs and transmission system operators will be introduced and a system will be created which also permits NEMOs to actively operate in other member states. In particular, exchanges will be regulated in future by national authorities in the context of CACM in the areas of activity it concerns. This will have a lasting influence on EPEX's relationship with regulators.

The reimbursement of costs generated in carrying out the market coupling operator function ("MCO function"), which is not guaranteed, constitutes a further risk: NEMOs should have a claim to have the costs incurred by them covered provided such were incurred efficiently and are adequate and proportionate. While the MCO function is regulated by the EU, the amount of the costs to be reimbursed is ultimately determined by the respective national regulatory authority. Before CACM took effect, the costs were contractually determined and guaranteed by the respective transmission system operators. Because of the new provision in CACM, EPEX might incur potential losses running into a seven-digit figure.

While trading markets are in principle subject to political influence **the uncertainty regarding the stability of the political framework** has recently increased. This includes, for example, the decision of the United Kingdom to leave the European Union, which raises complex regulatory questions regarding financial market regulation and energy and climate policy. Indeed, the first effects have already been observed in the European emissions trading scheme when a devaluation of all new certificates auctioned by the United Kingdom was a real threat for a certain period of time. From a market perspective, we have to wait and see to what extent these changes in energy and climate policy as well as in international trade relations will have an impact on the energy markets. The concrete effects which the individual regulatory measures have on EEX Group markets and on activities by trading participants are outlined in more detail in the "Risk and opportunities report".

Business development

Overview of business in 2017

On the one hand, the development of business during the year under review was shaped by a decline in the Power Derivatives and Global Commodities business fields, while, on the other hand, there was growth in the other business fields. The downturn in the core business field of Power Derivatives was due, in particular, to a fall in overall market volume. This was caused by restraint on the part of trading participants resulting from higher volatility towards the end of the 2016 financial year as well as by regulatory uncertainty as a result of dividing the German-Austrian bidding zone. Growth rates in other business fields, which were significant in some cases, were primarily due to rising trading volumes and market shares. Furthermore the acquisition of Nodal Exchange in 2017, which primarily operated in the US power derivatives market, in particular, had a positive effect on the development of business.

In 2017, the sales revenue figures for the individual business areas were as follows:

Sales by business area

k€	2017	Share	2016, adj.[1]	Change	2016
Power Spot	67,652	30%	67,555	+0%	67,534
Power Derivatives	63,585	28%	87,446	–27%	87,206
Natural Gas	38,804	17%	33,637	+15%	32,846
US Commodities	5,400	2%	0	n/a	0
Market Data Services	5,390	2%	5,019	+7%	5,019
Environmentals	3,803	2%	2,479	+53%	2,479
Clearing Services	716	0%	675	+6%	1,727
Global Commodities	382	0%	501	–24%	501
Agriculturals	380	0%	326	+17%	326
Other sales revenue:					
Annual fees and technical connections	24,550	11%	22,942	+7%	22,942
Others[2]	14,659	7%	15,388	–5%	13,578
Sales revenue	**225,320**	**100%**	**234,158**	**–4%**	**234,158**

[1] Adjusted by the reclassification of the revenue from the Clearing Services business field to the Natural Gas business field because of the full consolidation and thus the migration of the markets of PXE, Gaspoint Nordic and CEGH to the EEX Group. Moreover, the revenue for the French capacity auction was reclassified from the Power Derivatives Market to Services to third parties (reported under "Others").
[2] The item "Others" includes the revenue of the new Registry Services business field introduced in 2017.

Power Derivatives (kEUR 63,585, –27%)
In the 2017 financial year, the Power Derivatives business area declined for the first time after a number of years. Historically high volatility in the second half of 2016 caused by the unscheduled production downtime at around one third of French nuclear power plants in the autumn and winter of 2016 did not continue in 2017. This led to restraint among trading participants – and, in particular, among financial market participants – from the beginning of the year and, in connection with this, to a decline in overall market volume, particularly in France and Italy. At the same time, the 2017 was affected by regulatory uncertainty resulting from the pending division of the German-Austrian bidding zone. Because of the planned bidding zone division, the Phelix DE/AT Futures (the core product of the EEX Group for many years) lost their importance as full hedging options against price risks in the German and Austrian market areas, which will be separated in October 2018. EEX responded to the previously announced division of the price zone with new products and gradually launched new, financially-settled power derivatives contracts for the German and the Austrian markets in 2017. Year on year, the transformation processes implemented by our customers in this respect led to a decline in the EEX Group's market share within its domestic market of Germany.

Power Derivatives trading volumes

in TWh	2017	2016	Change
Futures	2,692	3,708	–27%
Germany/Austria	1,883	2,665	–29%
Italy	394	481	–18%
France	274	454	–40%
Spain	67	72	–7%
Eastern Europe	43	17	+154%
Others	30	20	+50%
Options	131	212	–38%
Power Derivatives	**2,822**	**3,920**	**–28%**

Selected Power Derivatives market shares

in %	2017	2016
Futures Germany/Austria	29	37
Futures Italy	74	63
Futures France	28	33
Power Derivatives (all)	**26**	**30**

The Phelix DE Futures introduced in the first half of 2017 in response to the planned division of the German-Austrian price zone have quickly established themselves as the new benchmark product for German power. In December 2017, the Phelix DE Futures exceeded the Phelix DE/AT Futures trading volumes for the first time. Despite this positive development, trading volumes of Phelix Futures declined by 29 percent in the 2017 financial year in comparison to the previous year. This development was primarily caused by restraint on the part of financial market players and reinforced by the temporary preferential treatment of physical power contracts for the German market traded bilaterally by market players interested in physical delivery. This shift by trading participants to the bilateral physical market was felt, in particular, in mid-2017.

In the past financial year, the EEX Group continued its geographic expansion in the power derivatives market. In June 2017, the migration of power futures for the Czech, Slovak, Hungarian, Rumanian and Polish market areas, which were previously listed at PXE strengthened EEX's position in Eastern European markets. This is reflected in the PXE, Power Futures trading volumes, which increased by 42 percent compared to the year before. As a result of migrating PXE products to the EEX trading platform, an increase in the overall market volume of Eastern European power derivatives contracts and a shift in trading activities from the physical OTC market to the financially cleared market of EEX was observed.

A similarly, positive development was recorded in the market area of the Netherlands where EEX increased trading volumes by more than 190 percent year on year. This was due to both a growing overall market and an increased EEX market share. In the Italian and Spanish market areas, EEX was able to further expand its leading position in 2017 – albeit with shrinking overall market volumes.

In 2017, the EEX Group once again supported growth in the power derivatives segment by introducing new products. For example, further short-term products (day and week-ahead futures) for the Swiss, Czech and Hungarian market areas were launched. As a result, the EEX Group contributes to strengthening liquidity in these market areas. Moreover, these product launches also pursue the strategic aim of expanding the product portfolio for all market areas offered and to round out the Group's range of services in European energy trading.

In response to the continued challenges of the energy system transformation, among other things the EEX Group is continuously working on innovations in terms of product development to meet market requirements. For example, the German intraday floor future was introduced as the third product specifically designed for the energy transition. In addition, the first trades in wind futures were recorded.

The EEX Group faces continued strong competition on the power derivatives market. More than one half of trading is still carried out via over-the-counter broker platforms whose market share even slightly increased in 2017 compared to the previous year. The remaining trading volume is distributed among several energy exchanges. Apart from the EEX Group, these essentially consist of the global exchange operators NASDAQ Commodities (NASDAQ) and Intercontinental Exchange (ICE) as well as smaller national energy exchanges. The EEX Group has been successful in competition with these exchanges and has managed to expand its leading position, in particular with regard to its main competitor NASDAQ. Despite new market entrants and aggressive pricing policies in some cases, competing exchanges were not able to fundamentally improve their market positions.

Power Spot (kEUR 67,652, +0%)

In the Power Spot business field, the EEX Group was once again able to slightly increase its trading volumes in relation to the previous year. Even though the volumes on the day-ahead markets were slightly lower than in the previous year, particularly in Germany, France and the Netherlands, the overall business field achieved a slight increase in revenues thanks to a rise in the volume of intraday trading.

Power Spot trading volumes

in TWh	2017	2016	Change
Day-ahead markets	472	474	–0%
Germany	233	235	–1%
France	106	111	–5%
United Kingdom	50	44	+16%
Netherlands	33	35	–5%
Others	50	49	+1%
Intraday markets	71	62	+15%
Germany	45	39	+15%
United Kingdom	15	14	+12%
France	4	4	+3%
Netherlands	1	1	+63%
Others	6	4	+28%
Power Spot	**543**	**535**	**+2%**

The direct marketing model, which was implemented in Germany in 2012, permits the sale of EEG Power outside the fixed EEX feed-in tariff. Under this model, there is no obligation to market power through an exchange. However, on account of the high liquidity, for example, the EEX Group was able to establish itself as a strong market platform in this area. In France, direct marketing was introduced when the law on energy system transformation and green growth was passed in 2015. However, future development will depend to a significant degree on the further expansion of renewable energies according to the Programmation pluriannuelle de l'energie (PPE).

Even if absolute volumes remain low, compared with the day-ahead markets the intraday markets will continue to gain in importance within the power spot business field – also in the 2017 financial year. This trend is primarily due to the increasing importance of digitalisation and fluctuating renewable energies. This, in turn, results in an increased demand for short-term balancing options for balancing group managers. To give them the possibility to respond to short-term developments in the generation and consumption of power, the lead time between trading and delivery of German power contracts was reduced from 30 to 5 minutes in the 2017 financial year. Moreover, in the 2017 financial year, continuous 30-minute trading in power spot contracts for the French, German and Swiss intraday market was launched. This permits local and implicit cross-border trading at the corresponding borders and offers the customers a further tool for a more effective and efficient control of power trading.

In the 2017 financial year, the integration of APX into the EEX Group was driven ahead. For example, the day-ahead markets in the Netherlands and Belgium were migrated to the EPEX systems in the first quarter. The migration of the remaining day-ahead and intraday markets in the United Kingdom is planned for the first and second quarters of 2018. In addition, EPEX continued auctions for generation capacity certificates in France that it launched in 2016 by organising a further three auctions in 2017.

Within the Power Spot business field, the EEX Group directly competes with other spot exchanges. In the United Kingdom, short-term trading in power is also offered by N2EX, a subsidiary of Europe's second-biggest power spot exchange, the Norwegian Nord Pool Spot, in addition to EPEX. In 2017, N2EX had a market share of 63 percent, while EPEX's market share amounted to 37 percent. Nord Pool Spot is also active in the German market area where it offers intraday products and is currently licensed for all other relevant market areas of the EEX Group. As a result of the further liberalisation of the market and regulatory changes (CACM), overall competition has intensified and is expected to further increase in the future.

Natural gas (kEUR 38,804, +15%)
The Natural Gas business field also developed positively in the 2017 financial year and further expanded its position as a second important revenue mainstay in addition to the power markets. In particular, Growth on the spot market, which reached a double-digit level in almost all markets, contributed to the overall growth of this business field. This increase in volume was essentially based on boosting market share while the overall market only saw moderate growth. On the derivatives markets in Germany and in France, however, the decline of the overall market as a result of lower volatility in combination with declining market shares led to decreasing trading volumes. Overall, volumes and, as a result, sales revenue on the gas derivatives market rose despite this trend.

Natural Gas trading volumes

in TWh	2017	2016	Change
Spot market	828	653	+27%
Germany	309	295	+5%
Netherlands	229	183	+26%
France	159	137	+16%
Others	130	38	+237%
Derivatives market	1,154	1,091	+6%
Netherlands	994	893	+11%
Germany	84	129	–35%
France	22	43	–49%
Others	54	26	+109%
Natural Gas	**1,982**	**1,744**	**+14%**

Selected Natural Gas market shares

in %	2017	2016
Spot market Germany	41	36
Spot market Netherlands	30	25
Spot market France	82	75
Spot market (all)	32	25
Derivatives market Netherlands	4	4
Derivatives market Germany	4	6
Derivatives market France	6	10
Derivatives market (all)	2	3

The range of gas products which can be traded through the PEGAS trading platform operated by Powernext were again expanded in 2017. In this context, the geographic expansion of the PEGAS product range which was begun in the 2016 financial year with the majority acquisition of PXE and Gaspoint Nordic as well as the newly established joint venture PCG was continued with the transfer of the Czech spot and derivatives business from PXE to Powernext. In addition, new spread products were added to the existing Dutch, German and Austrian portfolios.

In addition to geographical expansion, measures were taken to further improve the product range and, as a result, provide customers with added value within the existing product portfolio. For example, a new European spot market index (EGSI) was introduced in the second half of the year and the use of existing indices for the derivatives market was harmonised. Moreover, PEGAS was commissioned by the Dutch transmission system operators to provide the calculation of the so-called "neutral gas price" for the Dutch TTF hub which is to be implemented in the first quarter of 2018. Furthermore, so-called congestion management products for the French PEG Nord and TRS delivery areas were implemented. These offer transmission system operators the possibility to improve the management of potential grid congestion.

The competitive environment on the European natural gas markets resembles that of the power derivatives markets: The main share of natural gas trading takes place over the counter via brokerage platforms. Remaining trading activities are distributed across the EEX Group, the CME Group and ICE exchanges as well as smaller national energy exchanges. While the EEX Group is the exchange with by far the biggest trading volumes on spot markets, ICE has the biggest market share in exchange trading on the derivatives markets. Particular growth potential for the EEX Group has been identified as a result of the Dutch market area having replaced the British market area as the biggest market in 2015. While the shrinking British market is dominated by ICE and brokers, the EEX Group can benefit from growth and a shift in trading activities to the Dutch market.

Further areas of business (kEUR 16,071, +79%)

US POWER AND GAS

Since it acquired the US-based trading and clearing venue Nodal Exchange in May 2017, the EEX Group has been offering North American products. Nodal Exchange provides trading and clearing services for several local power derivatives contracts and had a 27 percent market share in power futures open interest at the end of 2017. Nodal also lists a natural gas futures contract with the underlying Henry Hub and plans to introduce options in 2018 which should then lead to trading in these contracts. Nodal's trading volume developed as follows in 2017:

Power Trading volume Nodal

	2017	2016	Change
Power in TWh	838	860	–3%
Market Share	16.4%	15.2%	+8%

In addition to Nodal Exchange, the global exchange operators ICE, NASDAQ and NYMEX are active in the North American electricity and gas markets with the largest part of volume traded via the ICE platform.

MARKET DATA SERVICES

The Market Data Services business field is divided into the three segments of Information Services, Transparency Services and Reporting Services.

The essential task of Information Services is to ensure the biggest possible reach of EEX Group market data and its products, to provide support in efficient pricing and market the data available within the EEX Group.

The range of information products are used to market data which is generated in the course of trading activities within the EEX Group. In addition to the pure sale of data products, this segment also aims to ensure the widest possible dissemination and highest possible visibility of trading products. In 2017, the EEX Group was able to further increase revenue from information products by 7 percent to kEUR 2,832 compared to previous years.

Transparency Services focuses on the publication of insider information on the “Transparency in Energy Markets” platform in the context of the European Regulation on Wholesale Energy Markets Integrity and Transparency (REMIT). On the one hand, this service enables the EEX Group to give every trading participant the possibility to publish insider information and, on the other hand, establish individual trading platforms as transparent market platforms. In the 2017 financial year, further market participants were acquired as customers for publications. As a result, insider information is now published for customers in nine European countries. Furthermore, the EEX Group also offers its customers weather data and data regarding the feed-in of wind and solar power in the form of actual and forecast values.

The area of Reporting Services brings together reporting services which are provided on the basis of various legal provisions. On the one hand, Trade Reporting according to the European Market Infrastructure Regulation (EMIR) is provided for various clearing and non-clearing members of ECC; on the other hand, the EEX Group, in its function as a “Registered Reporting Mechanism” reports order and trade data to ACER, the Agency for the Cooperation of Energy Regulators, on behalf of its market participants in the framework of the Regulation on Market Integrity and Transparency (REMIT). After its launch in November 2015, regulatory reporting developed very positively and currently contributes around 40 percent of the revenues of the Market Data Services business area.

In order to harmonise the infrastructure for regulatory reporting, EEX transferred the existing EMIR Trade Reporting Service to the “Transparency in Energy Markets” transaction data reporting platform according to REMIT in the 2017 financial year. As a result, since then it has offered a uniform interface for reporting services in accordance with EMIR and REMIT. The infrastructure was expanded further in the third and fourth quarter of 2017 for reporting of positions and transactions under MiFID II/MiFIR from 4 January 2018 onwards.

ENVIRONMENTAL PRODUCTS

Within the Environmental Products business area, the EEX Group successfully continued its growth strategy following rising trading volumes in emission allowances both on the primary and secondary markets. While primary market auctions are determined by the EU, the EEX Group benefitted from an overall expansion on the secondary market combined with constantly growing market shares. During the 2017 financial year, there were no trading activities in guarantees of origin. As a result, trading in these products was discontinued as of the end of the year.

Environmentals trading volumes

	2017	2016	Change
Emission allowances million t	1,380	950	+45%
Primary auctions (spot)	849	640	+33%
Secondary trading (spot)	59	51	+14%
Secondary trading (derivatives)	472	258	+83%
Guarantees of origin GWh	0	0	0%

On behalf of the European Commission, new emission allowances for all member states are introduced to the market via auctions (primary auctions). Volumes are determined in advance and are auctioned separately for Germany, the United Kingdom and Poland, while auctions for the remaining 25 member states are carried out together. Auctions for the United Kingdom are carried out by ICE, while the EEX Group provides auctions for all other EU member states. The respective underlying contracts were extended for a period of up to five years in 2016.

In respect of secondary trading of emission allowances, the market is dominated by ICE, which, despite a slightly lower market share, still settles 86 percent of the market. The remaining trading volumes are primarily generated by the EEX Group and brokers; CME and NASDAQ only play a minor role.

For the further expansion of liquidity in environmental products and related commodities, in the 2017 financial year EEX concluded a cooperation agreement with IncubEX, which specialises in the development of financial products and services with its subsidiaries in North America and Europe. In the scope of this cooperation, the number of trading participants operating on the exchange is to be expanded and a global trading network is to be developed by the international EEX Group network of exchanges and clearing houses, extending their range of trading and clearing services to contracts designed and developed by IncubEX. In this context, the cooperation partners initially intend to concentrate on the European and US markets.

CLEARING SERVICES

The Clearing Services area includes clearing for those partner exchanges that are not part of the EEX Group. In the 2017 financial year, this included the Hungarian HUPX and the Norwegian NOREXECO. In the period under review, volumes generated from clearing and settlement of trades for HUPX were approximately at the same level as in 2016. Volumes traded at NOREXECO, on the other hand, generated significant growth compared to the previous year.

Clearing cooperation volumes

	2017	2016	Change
HUPX TWh	25	26	–6%
NOREXECO kt	195	63	+209%

In terms of expanding the Clearing Services area, the focus was first and foremost on supporting the Irish transmission system operators, EirGrid and SONI, in establishing the new local SEMOpx power exchange, which will operate a day-ahead and intraday market in Ireland. EPEX and ECC were nominated as service providers to support the establishment of an integrated power market in Ireland with their expertise. In its function as the central counterparty, ECC will take over clearing and settlement for all transactions at SEMOpx.

GLOBAL COMMODITIES

Within the Global Commodities area, the EEX Group was not able to repeat the high rates of growth achieved in the previous year. While freight products achieved single-digit growth as the most profitable product group in this business area, the iron ore trading volume was significantly lower than in the previous year. Trading in container capacities was not resumed in 2017. Volumes in futures on fuel oil and other products, on the other hand, rose significantly. However, overall, sales revenue was lower than in the previous year.

Global Commodities trading volumes

		2017	2016	Change
Freight (futures/options)	k days	473	438	+8%
Iron ore	k days	282,092	315,621	–11%
Fuel oil	k days	5,185	4,703	+10%
Container	Standard container	0	0	0%
Others	kt	3,422	1,785	+92%

In 2017, the EEX Group achieved further expansion in products and services in the field of Global Commodities. The transfer of open positions in dry bulk freight contracts from 2018 to 2024 from the British LCH clearing house to the ECC clearing house resulted in an expanded portfolio and broader customer base in connection with increased liquidity in the freight sector. Moreover, the EEX Trade Registration service was extended to include wood pellets which are used for energy generation and act as a coal substitute.

AGRICULTURAL PRODUCTS

The EEX Group was also able to grow in the agricultural segment in the 2017 financial year. While trading in futures on processing potatoes declined slightly, two-digit growth was achieved in dairy products. Trading volumes in fertiliser futures declined again and trading in futures on hogs and piglets was discontinued during the financial year. Despite these developments, this business area saw overall growth in sales revenue.

Agricultural trading volumes

		2017	2016	Change
Processing potatoes	contracts	37,889	39,420	–4%
Dairy products	contracts	27,564	16,410	+68%
Hogs and piglets	contracts	0	8	–100%
Fertiliser	kt	746	1,802	–59%

Trading and clearing participants

The table below shows the trading participants per exchange (without eliminating overlaps) as of 31 December 2017:

Trading participants per exchange

	2017	2016	Change
EEX	264	246	+7%
EPEX (incl. APX)	278	278	+0%
Powernext (incl. Gaspoint Nordic and PCG)	237	232	+2%
CLTX	80	74	+8%
PXE	22	45	–52%[1]
Nodal	59	–	n/a

[1] Migration of the PXE derivatives market to EEX (power) and Powernext (gas).

In addition to the organic growth of the EEX Group, the increase in the number of trading participants is also due to the first-time consolidation of Nodal Exchange.

As of the reporting date (31 December 2017), 23 clearing members (19 general clearing members and four direct clearing members) were registered – compared with 23 clearing members as of the 2016 reporting date. Moreover, 11 participants were admitted to the Direct Clearing Participant Model (DCPM). This model (launched in September 2016) grants trading participants direct access to trading and clearing on spot markets without having to connect to a clearing member. At the end of the year, there were 516 ECC clearing participants (including non-clearing members) (2016: 505). On the balance sheet date, 12 clearing members were admitted to Nodal Clear.

Earnings position

The partial decline in the EEX Group's trading volume, especially on the power derivatives market, is also reflected in the earnings position. In the previous financial year, sales revenue of the EEX Group was kEUR 225,320, representing a decline of kEUR 8,838 or 4 percent. The reduction in revenue was accompanied by cost increases of approximately 2 percent so that the resulting operating result of kEUR 73,486 was kEUR 13,642 (16 percent) lower than in the previous year. In 2017, the consolidated net profit was kEUR 53,866 and, hence, kEUR 3,865 (7 percent) lower than in 2016.

The profit and loss account for 2017 includes the figures for the Nodal Exchange subsidiary, which was consolidated for the first time in the financial year under review. The effects of this full consolidation are addressed separately below. Since the effect of these values on the income statement for the year under review was minor, the full-year impact of the consolidation of the PXE, Gaspoint Nordic and PCG subsidiaries, which were consolidated for the first time in 2016, are not addressed below separately.

EEX Group statement of profit and loss

k€	2017	2016
Sales revenue	**225,320**	**234,158**
Net income from banking transactions	1,133	–59
Other operating income	517	2,856
Variable costs	–19,705	–21,218
Net revenue	**207,265**	**215,736**
Staff costs	–56,493	–52,898
Depreciation, amortisation and impairment losses	–15,452	–12,331
Other operating expenses	–61,834	–63,378
Operating result	**73,486**	**87,129**
Financial result	788	472
Income from at-equity investments	–50	28
Result from ordinary business activities	**74,224**	**87,629**
Income tax expense	–20,358	–29,898
Consolidated net profit	**53,866**	**57,731**

Sales revenue and net revenue

The EEX Group's sales revenue consists of transaction fees from trading, clearing and settlement of transactions and other sales revenue. Changes in the sales revenue reflect the development of the business areas described in the section "Business development". The structure of the sales revenue is also outlined in that section.

Apart from sales revenue, net revenue consists of net income from banking transactions (kEUR 1,133), other operating income (kEUR 517) and variable costs (kEUR –19,705). Because of the lower sales revenue on the power derivatives market and the associated lower performance-related reimbursement to certain market participants, such as market makers or brokers, variable costs declined by kEUR 1,514 in the year under review.

In the 2017 financial year, net revenue amounted to kEUR 207,265, kEUR 6,020 of which were attributable to Nodal Exchange, a new member of the Group since May 2017. However, despite the expansion in the scope of consolidation, net revenue decreased by kEUR 8,471 (4 percent) compared to the previous year.

Expenses

During the reporting period, total expenses included in the operating result (staff expenses, depreciation, amortisation and impairment losses and other operating expenses) rose to kEUR 133,779 by kEUR 5,171, representing an increase of 4 percent. These overall expenses also include the expenses of the newly consolidated Nodal Exchange (kEUR 7,915). After adjusting for this special effect, the EEX Group's total non-variable costs declined by as much as kEUR 2,743 or 2 percent compared to the previous year as a result of the implementation of various cost management measures during the previous financial year.

During the reporting period, staff expenses rose to kEUR 56,493 (2016: kEUR 52,898) because of a planned increase in staff numbers and the integration of the Nodal Exchange employees.

At kEUR 15,452, depreciation, amortisation and impairment losses were kEUR 3,120 higher than in the previous year. On the one hand, this reflects the persistently high level of investment in the EEX Group's IT systems. On the other hand, it includes the integration of the new subsidiaries. They contribute additional depreciation/amortisation on the assets included in the balance sheet in the context of the purchase price for the newly consolidated companies. For example, the effects of the Nodal Exchange purchase price alone account for kEUR 1,793 of total depreciation in the 2017 financial year.

Other operating expenses, at kEUR 61,834, were lower than in the previous year. This included, for example, other expenses for the further development and operation of the IT infrastructure by external service providers, consultancy expenses as well as expenses for infrastructure and marketing. Furthermore, the other operating expenses included costs for the EEX Group's sites and offices as well as travel expenses, which are primarily incurred in the context of sales activities. After adjustment for the other operating expenses of Nodal Exchange of kEUR 2,497, total operating expenses were kEUR 4,041 lower than in the previous year. This decline was principally due to the fact that there were no particularly resource-intense projects in the power business field in 2017 and that various cost-cutting measures were implemented during the reporting year. Increasing expenses were driven by:

- The constant optimisation of IT infrastructure and IT processes as well as the general expansion of the business areas affecting the system environment,
- Growing regulatory requirements,
- The growth of the entire corporate group and a resulting increase in costs for infrastructure and travel activities as well as
- One-off transaction costs connected with the acquisition of Nodal Exchange.

Further revenue items
In the previous financial year, the financial result was kEUR 788, which was kEUR 316 higher than in the previous year.

Income from at-equity investments (kEUR –50) includes income of the shareholders reported in the balance sheet in accordance with the at-equity method within the EEX Group. It includes the result of SEEPEX, a joint venture in which EPEX holds an interest.

Earnings figures
At kEUR 74,224, earnings before taxes (EBT) were kEUR 13,405 or 15 percent lower than in the previous year. After the deduction of income taxes (kEUR 20,358), consolidated net profit was kEUR 53,866.

The parameter of the "adjusted EBT", which was introduced in the section "Management control" above, reached a value of kEUR 62,457 during the reporting year. This included the reduction of the operating result by the profit shares of non-controlling interests (before taxes) and by transaction-specific one-off effects resulting from the acquisition of Nodal Exchange in an amount of kEUR 913. The adjusted operating result did not reach the value of the previous year (kEUR 72,598). This was primarily due to the decline in the profit contributions of the Power Derivatives business area. The acquisition of the remaining share of the 100 percent shareholding in Powernext and the deduction of the Nodal transaction costs were the main factors contributing to this fall.

The EBT margin as the ratio of the result before taxes and the sales revenue was 33 percent, which was 4 percentage points lower than in the previous year. At 26 percent, the equity ratio before taxes also declined compared to the previous year (36 percent). It is calculated from the result of ordinary business activity in proportion to the equity base of the group at the beginning of the reporting period. When taking into account the capital increase implemented in 2017, return on equity was 17 percent. The decline in both parameters (EBT margin and return on equity) was mainly due to the lower operating result during the year under review.

Asset position

Consolidated statement of financial position of the EEX Group as of 31 December 2017

k€	31/12/2017	31/12/2016
Assets		
Non-current assets	347,757	218,862
Current assets	3,213,614	3,502,375
Total assets	**3,561,371**	**3,721,238**
Liabilities		
Equity	425,806	283,846
Long-term liabilities	50,089	63,835
Short-term liabilities	3,085,475	3,373,558
Total equity and liabilities	**3,561,371**	**3,721,238**

Development of assets

As of 31 December 2017, non-current assets of the EEX Group amounted to kEUR 347,757 (2016: kEUR 218,862). They essentially consisted of intangible assets (kEUR 196,503), goodwill (kEUR 125,900), derivative financial instruments (kEUR 12,424) and deferred tax assets (kEUR 9,463). The development of the non-current assets is primarily driven by the following:

- A rise in goodwill of by kEUR 68,644: In addition to the goodwill of ECC and EPD, this position also includes the goodwill from the acquisition of the majority shareholding in various EEX subsidiaries. The increase in the past financial year was due to the new subsidiary Nodal Exchange being integrated into the EEX Group.
- An increase in intangible assets of kEUR 80,115: This was primarily driven by the capitalisation of the additional assets acquired from Nodal Exchange, such as customer relationships, brands as well as own software and systems.
- A decline in derivative financial instruments of kEUR 18,965: This concerns options with a due date of more than one year which are cleared by ECC and recognised at fair value. The fair value is determined with the help of the current open position exchange price. Since ECC operates as the central counterparty for the different markets of the EEX Group, there is a liability of the same value as this asset.

The asset side of the balance sheet is largely characterised by current assets of kEUR 3,213,614 (2016: kEUR 3,502,375). These mainly comprise restricted bank balances (kEUR 2,682,771), trade receivables (kEUR 377,887) and other cash and bank balances (kEUR 134,271). Essential changes in current assets were only observed with regard to the following item:

- A fall in restricted bank balances of kEUR 290,968: On the one hand, this concerns the cash collateral deposited by clearing participants in connection with the ECC and Nodal Clear clearing business. As a result of the lower overall scope of business of the EEX Group in 2017, these also declined by kEUR 317,679. This asset is offset by a liability of the same value. In addition, own contributions to the ECC clearing fund as well as Nodal Clear of kEUR 26,711 were reported for the first time under this item.

Development of equity and debt

The assets of the EEX Group were financed by equity of kEUR 425,806 (2016: kEUR 283,846) as well as by debt of kEUR 3,135,565 (2016: kEUR 3,437,392). The debt consisted of long-term liabilities of kEUR 50,089 (2016: kEUR 63,835) as well as short-term liabilities of kEUR 3,085,475 (2016: kEUR 3,373,558).[1]

Equity mainly grew as a result of the capital increase carried out in the previous financial year. This capital increase is reflected in the increased capital reserve of kEUR 145,458 (2016: kEUR 10,000) and the subscribed capital of kEUR 60,075 (2016: kEUR 39,992). Moreover, the increased equity also reflects the partially retained profit of the 2016 financial year. Therefore, reserves increased by kEUR 9,522 and income from operating activities other results declined by kEUR 13,066.

[1] The balance sheet includes some positions which are shown as identical amounts on the assets and liabilities side because of the position of ECC and Nodal Clear as a central counterparty. The adjusted items are addressed in more detail in the following subsection.

As of the reporting date, long-term liabilities largely consisted of derivative financial instruments (kEUR 12,424) and deferred tax liabilities (kEUR 35,656). In addition, they included long-term provisions and liabilities. The decline in long-term liabilities is primarily attributed to development of options trading by entities within the EEX Group, which is also reflected accordingly on the asset side of the balance sheet in the derivative financial instruments, which decreased by kEUR 18,965. This decline was partly offset by a concurrent increase in long-term liabilities and provisions of kEUR 475 and in deferred tax liabilities of kEUR 4,745.

The short-term liabilities are characterised to a significant degree by the trading participants' cash deposits of kEUR 2,656,060 and trade payables of kEUR 364,403. Furthermore, short-term liabilities include liabilities to affiliated companies and banks, other liabilities, short-term provisions as well as derivative financial instruments. The development of short-term liabilities is largely influenced by the following:

- A reduction in trading participants' cash deposits of kEUR 317,679: This is the opposite position to the restricted bank balances on the current assets item.
- An increase in liabilities to affiliated companies by kEUR 30,051: This position includes the use of a loan from Deutsche Börse AG.

The Group was able to cover all expenses using its own financial resources at all times during the year.

Adjustment to the balance sheet total by clearing-specific matters

The balance sheet includes certain items which are identical on the assets and liabilities side because of ECC and Nodal Clear's role as the central counterparty in clearing. A central counterparty steps into the chain between the original counterparties to a transaction and replaces the original transaction between these two counterparties with two individual transactions with the central counterparty. The balance sheet total after adjusting for these positions is explained in the following section, on the basis of valid parameters determined for the evaluation of the EEX Group's capital structure and profitability.

On the one hand, the item of restricted bank balances includes cash collateral of the clearing participants in an amount of kEUR 2,656,060 (2016: kEUR 2,973,739); on the other hand, there is identical short-term debt from the cash deposits of the trading participants. Moreover, reporting date-specific customer balances of settlement transactions of kEUR 356,631 (2016: kEUR 329,549) were included. This concerns the reporting date-specific recognition of receivables and liabilities from the allocation of power and natural gas. Furthermore, the short- and long-term derivative financial instruments recognised at the fair value of the options are included in the assets and liabilities side in an amount of kEUR 19,230 (2016: kEUR 41,957). After the deduction of these positions, the adjusted balance sheet total at the end of the period under review was kEUR 529,450 (2016: kEUR 375,993) and the equity ratio on the reporting date was 80 percent (2016: 75 percent). The high equity ratio underlines EEX's high profitability and highlights the fact that its financing strategy, in principle, is aligned towards maximum independence from external creditors.

The debt ratio, which is equal to the proportion of long-term and short-term debt in the adjusted balance sheet total, fell to 20 percent (2016: 25 percent). The Group was able to cover all expenses using its own financial resources and current income at all times during the year. External credit lines repaid in the previous financial year were partly drawn again in 2017 and will be maintained as potential financing for future strategic projects.

Financial position

The Group's liquidity again increased significantly during the reporting year. However, given that ECC is a clearing house, there are high requirements regarding liable equity according to EMIR which tie up financial resources.

Consolidated cash flow statement of the EEX Group

k€	2017	2016
Change in scope of consolidation	13,803	2,355
Cash flow from operating activities	44,971	92,951
Cash flow from investing activities	–228,204	–23,871
Cash flow from financing activities	169,604	–24,811
Cash-effective change in cash and cash equivalent	**174**	**46,623**
Cash and cash equivalents at the beginning of the accounting period	127,097	80,474
Cash and cash equivalents at the end of the accounting period	**127,271**	**127,097**

As of the reporting date, the EEX Group's cash and cash equivalents amounted to kEUR 127,271, which corresponds to an increase of kEUR 174 compared to the previous year (kEUR 127,097). Cash and cash equivalents comprise cash in hand, cash in bank accounts and financial investments available at short notice reduced by short-term liabilities to banks in the form of loans.

The development in cash and cash equivalents was driven by cash flow from financing operations of kEUR 169,604, cash flow from current operations of kEUR 44,971 as well as the expansion of the scope of consolidation after the acquisition of Nodal (effect: kEUR 13,803). Cash outflows of funds from investing activities of the EEX Group of kEUR 228,204 were financed from this source.

The cash flow from financing activities of the EEX Group included an inflow of funds from the capital increase carried out in 2017 (kEUR 155,394), inflows of funds from short-term financing (kEUR 36,983) and an inflow of funds from the sale of own shares (kEUR 453). The growth in cash flow from financing activities was partly offset by a dividend payment to the shareholders of EEX AG of kEUR 10,814 and to non-controlling interests of kEUR 12,412 net.

The cash flow from current operations comprised the annual net profit (kEUR 53,866) after adjustment for non-cash-effective income and expenses during the reporting period. These amounted to kEUR 8,895 and mainly included depreciation/amortisation and changes in receivables, liabilities and provisions.

The funds paid for investing activities of the EEX Group during the reporting year include investments in intangible assets (kEUR –11,307) and, in particular, the IT infrastructure of the EEX Group, as well as investments in property, plant and equipment (kEUR –1,089). This category also includes payments for the acquisition of shareholdings in subsidiaries. These relate to the acquisition of Nodal Exchange and the remaining shares required for a 100 percent shareholding in Powernext and amounted to kEUR 215,683.

On account of its sufficient financial resources and sound internal financing power, as in previous years, the EEX Group does not expect any liquidity shortfalls for the 2018 financial year. As a result, it will again be able to carry out the planned investments required to maintain and expand its good competitive position in the future. Moreover, intra-group and external credit lines are available to cover additional liquidity requirements arising at short notice.

Employees

The EEX Group's competent and dedicated workforce is a significant factor for its commercial success and further growth. The EEX Group has an international team of employees from 29 nations. As of 31 December 2017, the EEX Group employed 542 members of staff at 16 sites – up from 453 employees as on the 2016 reporting date, an increase of 20 percent. The increase in the workforce is largely due to the new company included in the scope of consolidation – Nodal. As of the reporting date, 53 employees had joined the EEX Group from the newly acquired company. Without this effect, staff numbers would have risen by 8 percent, with the increase largely due to additional capacities for the implementation of the EEX Group's growth strategy.

Employees of the EEX Group

	2017	2016	Change
EEX	162	148	+9%
ECC	70	58	+21%
EPD	20	18	+11%
CLTX	13	11	+18%
EPEX	160	160	+0%
Powernext	53	48	+10%
PXE	9	8	+13%
Gaspoint Nordic	2	2	+0%
Nodal	53	0	n/a
Total	**542**	**453**	**+20%**

As of the reporting date, 41 percent of the company's employees were women. Overall, women held 22 of the executive positions (25 percent) within the EEX Group (2016: 30 percent).

To promote the integration of the new companies within the EEX Group, the focus of personnel management was on measures such as the establishment of joint group values, the further promotion of internal staff mobility as well as measures for the systematic improvement of the staff development and remuneration structure. By obtaining the "audit berufundfamilie" certificate for its German sites in 2016, the EEX Group showed that it has positioned itself as an attractive company on the labour market.

As regards workforce development, a slight increase is planned for the following financial year in order to continue the strategic growth of the EEX Group.

General statement on the Group's economic position by the Management Board

The Management Board of the EEX Group is very satisfied with the progress of diversification in the revenue structures in 2017. To some extent, the Group significantly exceeded its sales and earnings targets compared to the previous year in almost all business areas, which is particularly positive in view of the challenging market environment and the prevailing uncertainties in the market. With the acquisition of Nodal Exchange, the EEX Group increased its geographic reach and expanded its global presence with the addition of the US market. Power Derivatives and Global Commodities were the only business fields to post declines in the 2017 financial year.

The Management Board's assessment of the EEX Group's financial position in 2017 is extremely sound. The company generates significant cash flow from ongoing business activities. The high equity ratio, which was strengthened by the capital increase, and the good credit standing of the EEX Group are essential preconditions which enable the Group to finance both organic and inorganic growth using its own resources and this is expected to continue in the future.

When preparing this management report, the commercial position of the company and its financial strength were both considered to be very good. However, since significant uncertainties and risks persist, setbacks in the implementation of the growth strategy cannot be fully excluded.

3. Risk and opportunities report

Risk management

Organisational structure

In accordance with the requirements defined in section 91 subsection 2 AktG. [German Companies Act], the Management Board of the EEX Group implemented a monitoring system ensuring that risks jeopardising the survival of the company are recognised and addressed accordingly.

The CRO of EEX is responsible for the design of the early-risk warning system. The individual group companies largely control their risks on their own. With regard to risks that require group coordination, minimum standards are specified by the Management Board of EEX for all group companies. Depending on their size, the individual companies have a risk controlling unit of their own which is responsible for reporting within the respective group company. Based on the risk reports of the individual risk controlling units, the ECC risk controlling department prepares a risk report for the EEX Group every quarter. Moreover, there is a requirement for the Management Board to submit ad-hoc reports to the Supervisory Board with regard to fundamental changes in the risk position.

Framework

The risk position of the EEX Group is determined by its business areas: Specifically, the companies of the EEX Group operate electronic market platforms for derivatives and spot transactions in various commodities. Due to the complex requirements of IT operations (e.g. because of 24/7 trading for power and gas spot transactions), operational risk constitutes a dominant component in risk control, in addition to business risks. For the clearing houses of the EEX Group (ECC and Nodal Clear), in turn, the default risk is of significant importance for risk control on account of its activity as a central counterparty.

Further, the companies of the EEX Group operate within an environment which is increasingly determined by regulatory requirements. This results in operational risks as well as business risks since negative effects on the trading behaviour of market participants cannot be excluded. In addition, the environment is being shaped by increasing risks associated with, in particular, low interest rates threatening the stability of European financial institutions.

Risk strategy and risk control

The EEX Group aligns its risk control to its business and corporate strategy. It aims to ensure that risks are specifically controlled in line with the supervisory legislation framework and do not pose a threat to the existence of the EEX Group. Minimum standards for risk management are established.

The risk management system is integrated into all planning, controlling and reporting systems in the individual EEX Group companies and at the level of the Group. The internal auditing department and the respective compliance departments form an essential component of the risk management system. It is based on the systematic identification, assessment, documentation and communication of risks. Corresponding principles, processes and responsibilities are established in the guidelines applicable throughout the group.

Essential risks

During the year under review, the EEX Group monitored the following essential risks which, if they materialise, might have adverse effects on the Group and its asset, financial and earnings positions.

Counterparty risk

Counterparty risk is defined as the risk that business partners might not fulfil their payment obligations under the relevant contract or that they might not fulfil these obligations in a timely manner, which may result in a potential loss for the EEX Group. Within the EEX Group, the main counterparty risks occur within the clearing houses of the EEX Group (ECC and Nodal Clear). ECC is a central counterparty according to Regulation (EU) No. 648/2012 on OTC derivatives, central counterparties and trade repositories, and is an institute within the meaning of section 1 subsection 1 no. 12 KWG [German Banking Act]. As a derivatives clearing organisation (DCO), Nodal Clear is regulated by the US Commodity Futures Trading Commission (CFTC) and, in the EU, it is recognised by ESMA as a third-country clearing house. In this function, the clearing houses position themselves between the buyer and the seller and assume the default risk of both sides for all transactions concluded on their markets or registered for clearing. The clearing houses pursue a risk strategy of covering this default risk with a high security level through their margining system, the clearing fund and their own financial resources at all times. The quality of the margining system is reviewed on an on-going basis with the help of regular back testing. By means of daily stress tests, the clearing houses simulate counterparty risk in extreme yet plausible market conditions and adjust the clearing fund and their own financial resources in such a way that counterparty risk is also covered under these conditions and also in the event of a simultaneous default of two clearing members.

Moreover, a potential counterparty risk arises with regard to the investment of funds of the companies of the EEX Group. For this reason, funds are exclusively invested in recognised institutes with a low default risk in accordance with the investment guidelines of the EEX Group. For identification purposes, the EEX Group has developed an internal scoring procedure. The clearing houses' margin collateral is invested in reverse-repo transactions in return for securities collateral with a high credit rating and liquidity. Moreover, ECC has access to the central bank and can also deposit EUR collateral there.

Furthermore, low default risks arise in the event of a trading participant not paying its due transaction fees. Therefore, the creditworthiness of trading participants is constantly monitored on the basis of financial parameters and of rating information (providing such is available). In this context, the concentration of transaction fee payments on individual trading participants (cluster or concentration risk) is also analysed.

Market price risk

Market price risks are defined as adverse developments in the value of assets on account of a change in valuation-relevant market parameters such as exchange prices. In the context of the investment guideline, market price risks are to be largely avoided. As a result of the positions which are balanced on principle, there are no market price risks in the clearing business. The market price risks resulting from other operations (essentially currency risks) are minor and are controlled in accordance with the respective situation. By virtue of maintaining closed positions, the clearing business does not result in any foreign currency risks for ECC and Nodal Clear. The foreign currency risk of the Nodal Exchange investment income is monitored and covered according to the situation. A shareholder loan granted in connection with the acquisition of Nodal Exchange was reported as a net investment in a foreign business establishment to cover the foreign currency risks of this item resulting from the conversion into the reporting currency (EUR).

Liquidity risk

Liquidity risk is defined as the risk that the EEX Group might not be able to fulfil its payment obligations at a point in time contractually agreed on. Current operations do not lead to any essential incongruities of dates within the EEX Group. The financing need for current expenses and investments is identified and concluded within the context of medium-term planning. Any possible gaps in financing are closed or avoided by providing sources of liquidity within the Group. Structural liquidity risk is monitored within the context of medium-term planning, which is prepared every year, and through on-going liquidity management. The aim is to specify the liquidity reserve and credit lines in planning to ensure that sufficient liquidity is available for all eventualities. The investment guideline only permits investments of free liquidity with counterparties with a good credit standing and within approved limits. Further, the maximum term is limited so that sufficient liquidity is available at all times in the event of short-term demand.

The risk of a clearing member defaulting and its impact on liquidity at ECC are controlled according to the requirements under section 44 of the EMIR implementing law in conjunction with the delegated regulation 153/2013. At Nodal Clear, this risk is controlled in accordance with CFTC rules. This is done by means of the following:

- High requirements regarding the eligibility of collateral received
- Adequate safety discounts on collateral provided
- Provision of liquid resources which, at least, provide the liquidity required in the event of the stress test scenario (under the assumption of the concurrent default of the two clearing members generating the highest liquidity demand in extreme yet plausible market conditions)

On a daily basis, ECC generates a liquidity report regarding available cash and cash equivalent resources as well as the liquidity requirement under the stress test scenario. Moreover, potential sources of liquidity risks are recorded in the liquidity plan which is updated every quarter and submitted to the entire Management Board.

Operational risk

Operational risks are defined as all potential cases of damage arising from malfunctions of IT systems due to inadequate design of internal processes, errors by members of staff, mistakes or defaults of external service providers and project risks. Due to the high degree of automation in processing business transactions combined with a large number of transactions, malfunctions of the IT systems used constitute essential operational risks for the EEX Group. Since key parts of these systems are operated by external service providers, mistakes or defaults of external service providers also constitute a significant source of risk.

The risk strategy pursues the fundamental aim of minimising operational risks by using approved methods for system development, test procedures and operations. The EEX Group either provides core services itself or has them performed by selected specialised, external partners. Individual services are also provided by specialised companies which are part of the Deutsche Börse Group. The quality of the service providers is reviewed in the context of selection processes and continuously on the basis of established service level agreements. Furthermore, back-up processes are implemented for critical business processes. The quality of the internal control system is checked regularly with the help of examinations by internal auditors and the targeted use of external auditors. There are process descriptions and control activities for all fundamental processes. These are documented in checklists in order to reduce the likelihood of human error. Operational risks are identified and assessed throughout the Group in the context of an annual self-assessment.

In addition, professional liability insurance with regard to errors in commercial activities (E&O insurance) has been taken out.

A damage incident database is maintained for the on-going monitoring and reporting of malfunctions during operations. All untoward incidents which occur in the course of operations – even those that do not lead to any direct financial loss – are recorded in this database and analysed in cooperation with the relevant members of the Management Board on a monthly basis and, if required, preventative measures are adopted and implemented.

Compliance risk

The EEX Group is exposed to potential compliance risks primarily in the fields of sales tax fraud, damage to its reputation on account of the unauthorised publication of information as well as abuse through money laundering and/or the financing of terrorism. Furthermore, it has to be ensured that transactions are not concluded with individual persons or legal entities included on the relevant sanctions lists.

Within the EEX Group, ECC and Nodal Clear settle all fundamental payments via clearing members or settlement banks. As institutions, these are subject to the rules of the German Banking Act (KWG) or other equivalent provisions which require the implementation of measures to combat these risks. Therefore, the clearing houses have a low risk of being abused for the purposes of money laundering, financing of terrorism or fraud. This risk is re-evaluated every year in the context of a risk analysis.

In addition, know-your customer measures are intended to identify suspicious counterparties during the initial stages of the business relationship. In case of doubt in the admission process, a decision by the Management Board is requested. Furthermore, continuous monitoring of markets is undertaken at ECC (essentially for detecting sales tax fraud) and by the Market Surveillance departments. Moreover, all business partners, including important associates of these business partners, are continuously (and on an ad-hoc basis, if necessary) checked against known sanctions lists.

Sensitive data requiring specific protection are required to be treated as confidential and protected against unauthorised access in accordance with internal instructions. In order to avoid conflicts of interest, rules of conduct have additionally been established for staff.

Business risk

Business risks are defined as effects resulting from the market entry of new competitors, regulatory or other legal amendments, technical changes or modifications to the product environment which have a negative effect on the Group's earnings position in the medium to long term.

These risks are monitored by analysing information on competitors, customers, products and markets. Furthermore, the effects of certain price and volume changes have on the EEX Group's earnings are analysed in the context of scenario calculations.

Stricter regulation in the financial and energy sector as a risk

REGULATION ON CAPACITY ALLOCATION AND CONGESTION MANAGEMENT (CACM)

The EU regulation specifying a guideline for capacity allocation and congestion management (CACM) outlined in the section "Regulatory framework" and the introduction of the Nominated Electricity Market Operator (NEMO) contained therein entail risks for the EEX Group. In the future, NEMOs can use the market depth and the development status of EPEX with the aim of implementing uniform day-ahead market coupling and uniform intraday market coupling and, as a result, benefit from existing liquidity without necessarily contributing additional liquidity themselves. For example, the XBID project, which aims to establish a pan-European intraday solution, results in a situation in which EPEX is forced to share liquidity on all its markets with other NEMOs. This can lead to two-digit losses in intraday trading volumes. On the other hand, CACM cenables the provision of (day-ahead and intraday) trading services with delivery in other member states without the need for a NEMO to be appointed in this member state or to have been previously active in that state. This reciprocity creates uniform conditions for power market operators in Europe, namely a "level playing field". For the EEX Group, this means the possible market entry of competitors into EPEX markets. However, it also provides an opportunity to enter new market areas.

EU MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE (MIFID)

The Management Board considers the definition of financial instruments within the European MiFID II regulatory directive as a risk for EEX. The revised EU Markets in Financial Instruments Directive (MiFID II) changes the rules for trading in financial instruments and, as a result, in commodity derivatives with effect from 3 January 2018. The general exception for commodity derivatives, which has applied under MiFID I so far, has been replaced by a designated "ancillary activity exemption" under MiFID II. As a result, only trading participants with relatively low trading volumes (compared to their other activities) will be exempt from MiFID II requirements in the future. Trading participants subject to MiFID II because they exceed certain thresholds, however, are considered "financial institutions". As a consequence, these companies have to fulfil a number of additional requirements, such as organisational and capital requirements. Therefore, the implementation of these rules is also expected to have a significant impact on energy markets.

The details on the implementation of MiFID II/MiFIR were presented in the context of designated regulatory technical standards (RTS), the final version of which is now available. These RTS, for example, contain proposals regarding threshold values for determining the ancillary activity exemption as well as clarifications regarding publication and reporting requirements. This is positive in so far as the designated "Capital Employed Test" has become a firm element of the regulation. This means that invested capital is used in the calculation of the ancillary activity exemption. Implementation into German law took effect on 25 June 2017 when the Second Law Amending Financial Market Provisions on the Basis of European Legislation (Second Financial Market Amendment Act, 2nd FiMaNoG) came into force. The specific application is elaborated further at the level of the European Securities and Markets Authority (ESMA); however, there were significant delays in the process. In practice, it remains to be seen as to whether and to what extent the EEX Group's customers will be affected by these stricter rules and regulations. What is undisputed is that the overall requirements will increase and that every company will have to deal individually with the new regulatory environment.

With reference to excessive speculation and high volatility on the agricultural market, on 3 January 2018 MiFID II/MiFIR also introduced designated position limits which apply to trading in energy derivatives. Based on the underlying “baseline limits” for energy derivatives, the regulators responsible for the EEX Group – the German Federal Financial Supervisory Authority (BaFin) (for power contracts) and Autorité de Marchés Financiers (AMF) (for gas contracts) published indicative position limits for liquid contracts with more than 10,000 traded lots in November and December 2017. It remains to be seen as to what the effect of the designated limits will be on the EEX Group’s trading participants; however, if these limits are exceeded, positions would have to be reduced and, if required, trading activities might have to be restricted. Furthermore, the regulators have the power to adjust and, for example, reduce limits following a review. Therefore, the future situation needs to be closely monitored, even after 3 January 2018.

In addition, certain physical derivatives on gas and power traded over the counter are not classified as financial instruments. This means that trading in such derivatives is not regulated via MiFID II. These less regulated products can only be traded on platforms referred to as “Organised Trading Facilities” (OTF). Certain trading transactions which are concluded at an OTF are exempt from MiFID II, while similar transactions concluded on a regulated market or on an exchange are covered by the scope of application of MiFID II. As a result, OTFs have a regulatory advantage in respect of physical power and gas derivatives trading and there is the risk of a shift in volumes from exchanges to OTFs. On the part of market participants, this may lead to a general reluctance to trade with EEX products. It is also feasible that there will be an overall decline in trading activities. In order to offer customers a possible alternative, EEX and Powernext set up a designated Non-MTF as a precursor to an OTF in 2016. This is to be converted into an OTF as of 3 January 2018 following the issue of a corresponding licence.

Moreover, EMIR uses the definition of “financial instruments” in MiFID. As a result, these over-the-counter physical derivatives are also not subject to EMIR regulation. Consequently, trading in such physical derivatives entails significant regulatory advantages compared to the EEX Group products on the regulated markets (no acquisition of a financial services licence with corresponding equity requirements, no position limits, lower reporting requirements and no mandatory clearing according to EMIR, etc.). This means – except for the OTC segment – volumes registered for clearing within the EEX Group by means of trade registration would still be subject to this risk since derivatives traded over the counter would be converted into financial instruments through the trade registration process.

FINANCIAL TRANSACTION TAX

The introduction of a common financial transaction tax in individual EU countries – including Germany – is still subject to political negotiations, although its introduction appears increasingly unlikely. The question as to whether or in what way commodity derivatives will be covered, remains unanswered at present, despite promises by lawmakers that such a tax should have the lowest possible effects on the real economy. A shift in trading activities to trading platforms in countries not affected by such a tax would constitute the most significant negative effect of a financial transaction tax in the long run – which may represent a significant advantage for competitors.

EU BENCHMARK REGULATION

In response to the manipulation of certain financial market indices, such as the reference interest rates in the interbank segment, LIBOR and EURIBOR, industry standards for financial benchmarks (IOSCO) and, based on IOSCO, the EU regulation 2016/1011 regarding indices used as benchmarks have been developed. The far-reaching EU regulation took effect on 8 June 2016 and will apply comprehensively from January 2018. It provides for benchmarks to be regulated according to their size and the origin of the data, making the preparation and administration of indices more transparent and eliminating conflicts of interest. Commodity benchmarks will also be part of the scope of application of this regulation and, depending on the origin of the underlying data and size of the markets, will have corresponding impact on the EEX Group’s individual indices. The regulation covers, in particular, the designated administrators of benchmarks, i.e. those entities with responsibility for benchmarks. In 2017, the so-called level II process was carried out with the preparation of regulatory technical standards. This was followed by the further development of the regulation in the context of the level III process involving national regulatory authorities. Individual EEX Group companies are affected by this regulation; however, transitional provisions apply in accordance with the Benchmark Regulation. Since indices/benchmarks had already been provided by EEX Group companies before 30 June 2016, these companies have time until 31 December 2019 to apply for a licence as an administrator and/or they can provide and use existing and new benchmarks until that date at the latest. Moreover, commodity benchmarks in niche markets, which have only a limited external effect on account of their small size, are also fully exempt from the regulation. This is likely to apply to a part of the benchmarks for which the EEX Group currently assumes the role of administrator. For this reason, in 2018 and 2019, the EEX Group, as a neutral index provider, will prepare for the group-wide implementation of the Benchmark Regulation and assess its impact from a commercial perspective.

REGULATION FOR CENTRAL COUNTERPARTIES

In 2018, the regulation for central counterparties (CCP) will again be reinforced at a European level. The essential initiatives in this respect include the EMIR Refit, the development of a regulation on CCP recovery and resolution as well as the discussion of the distribution of tasks between national supervisory authorities and the European Securities and Markets Authority (ESMA). As a financial institution under the German Banking Act, ECC is also affected by revisions to the minimum requirements for risk management (MaRisk), which were published in late 2017. In this connection, the supervisory legislation practice of the German Federal Financial Supervisory Authority was developed further. This is reflected, in particular, in requirements for ongoing reviews. Overall, ECC expects that these reinforced requirements will bring about changes in processes and procedures as well as the organisation of ECC and are expected to lead to slightly increased expenses.

Change in energy market design

ENERGY TURNAROUND AND POWER MARKET DESIGN

The increasing transformation of the energy markets to cater for renewable energies is creating challenges for current market design and will require it to be modified and further developed. In addition to the market integration of renewable energies, this will also affect other fields, such as grid expansion or aspects of the security of supply in the event of fluctuating renewable energies not being able to sufficiently cover load requirements.

In Germany, the federal government took a fundamental decision in 2016 and created a framework for the power market of the future with the new Electricity Market Act. The Electricity Market Act focuses on the price signal – which is essentially established on exchanges – as well as the competitive and innovative strengths of the market. Although the launch of a separate capacity market was not included, a so-called capacity reserve based on lignite-fired power plants was introduced to safeguard the security of supply. In addition, a number of supporting provisions are defined in detail. The aim of these is to further develop the power market and, in particular, enhance its flexibility. These measures include increasing balancing group responsibility as well as grid- and transparency-related measures. Further detailed provisions regarding many of these measures were made in 2017.

After the reform of the Renewable Energies Act (EEG) in 2016, regular tender procedures for the determination of subsidies for renewable energies on a competitive basis were held for the first time in 2017. So far, the experience gathered has been positive with constantly falling tender prices. During the tender for off-shore wind power plants in April 2017, two bidders were even awarded a contract at a price of EUR 0 – which means without subsidies. These results show that the competitive organisation of subsidisation helps to create the potential for lower costs and that market players expect to be able to refinance their investments on market. This could be one argument supporting the complete abolition of subsidies for renewable energies on the market at some point in the future. However, the effects that competitive price pressure will have on the diversity of market players and, hence, on the acceptance of the energy system transformation, remain to be seen. It is also unclear as to whether projects that win tenders at present can actually be implemented with the amount of subsidies they are entitled to under this system. Ultimately, political decision-makers will base their response to these issues on whether there is need for action and how this can be practically implemented. While Germany has already paved the way for the "Power Market 2.0" with this, the debate on energy market design continues at a European level. At the end of 2016, in the context of its energy union strategy, the EU Commission presented the "Clean Energy Package", comprising numerous legislative measures for the further development of the existing provisions and introduction of new provisions regarding the internal electricity market. Among others, this package consists of proposals regarding energy efficiency, renewable energies, the design of electricity markets, security of supply and governance rules for the energy union. The energy union is one of the ten priorities of the EU Commission currently in office. Therefore, the Commission places its winter package within the broader context of the transformation of the energy system and climate protection, on the one hand, as well as economic growth, investments and new jobs, on the other. Moreover, the legislation places a stronger focus on consumers. This concerns their reinforced active role in the energy market as well as higher transparency and participation and, as a result, increased acceptance upon the switch of the energy system to predominantly renewable energy sources.

As seen from the perspective of EEX, the fundamental trend and most of the proposals of the package can be assessed as being positive since they reflect a confidence in competitive and market-based principles.

- The creation of a functioning and integrated power market relies on strong price signals. Regulated prices are to be abolished in all member states.
- The Commission requests that the member states promote the introduction of long-term hedging products in order to integrate more renewable energy into the power system and enable market participants to hedge against price risks. EEX has already bridged this gap by developing innovative financial products, such as the Wind Power Future and Cap Future.
- Uncoordinated national political measures have been shown not to contribute to a functioning internal energy market since they distort cross-border trading and, as a result, lead to higher costs for final consumers.
- The specification of minimum requirements for capacity mechanisms is positive. Moreover, the need for their introduction must be proven through a standardised assessment of the security of supply.

However, there is also room for the further development of proposals. For example, the reports of the member states should be accorded more importance with regard to the progress made in attaining the EU climate and energy aims for 2030.

Those requirements which target a possible reduction of existing bidding zones, in particular, are assessed as being critical since they counteract the aim of an integrated market and fail to consider the crucial importance of the existing power derivatives market for the provision of reliable price signals and new trading products.

POWER MARKET: CONFIGURATION OF PRICE ZONES

Even though the overall trend is towards an increasing focus on market mechanisms and pricing signals, the exact design of bidding zones within the European power market has become more intense leading to continued uncertainty. The Federal Network Agency and E-Control have agreed to implement preparatory measures for congestion management at the German-Austrian border and that, as a result, the price zone will be divided into two national market areas from October 2018. In 2017, progress was made in implementing this division.

At the same time, there are further processes at a European level at ACER and ENTSO-E (European Network for Transmission System Operators for Electricity) that deal with the design of price zones in Europe and that could potentially have an impact on the German-Austrian market area as well as on further price zones. So far, it remains unclear as to which process will actually apply and who will take final decisions. This dispute is also obvious in light of the fact that E-Control has taken legal steps against decisions by ACER regarding a lack of competence or an incorrect legal basis. A court decision on this is still pending.

The fact that, in December 2017, a uniform German power price zone was specified at a national level in the German regulation regarding access to the power grids is a generally positive development. However, interactions with the processes at a European level which have not been sufficiently clarified are causing uncertainty.

The expected market division and the uncertainty regarding the political framework had a negative effect on the entire power market in 2017. Irrespective of the specific design, negative effects on the EEX Group's markets are to be expected. This does not only concern liquidity (which would be lower in smaller market areas) but also the quality of the price signal. Against the backdrop of the further progress on market design through the envisaged strengthening of the price signal and increased flexibility, both of these effects appear to be counterproductive. It will not be possible to fully harness the potential of the market-based European integration and innovations in this way. There is even the risk that the aims achieved with liberalisation – in particular, the integration of the European power markets – might be called into question and permanently impaired.

At present, talks involving the transmission system operators and power exchanges concerned are underway to implement the split of the German-Austrian bidding zone. As seen from the perspective of the EEX Group, care has to be taken to ensure that any division is carried out with the least possible impact on the market.

General political uncertainty

While, in principle, wholesale markets are subject to the influence of the political environment, uncertainty regarding the fundamental stability of the political framework and capacity continues. This, for example, includes the uncertainty regarding the design and specific consequences of the United Kingdom's withdrawal from the European Union (Brexit). In addition, a strengthening of movements in some European countries which reject established political institutions has been observed. As a consequence, finding clear political majorities as a basis for a stable government is becoming more difficult. This situation was also observed in Germany after the federal parliamentary election. A first attempt at forming a government consisting of four political parties – CDU, CSU, FDP and the Green Party (a so-called "Jamaica coalition") failed. This is a burden which the new government, a re-run of the grand coalition between CDU/CSU and SPD, has inherited. Therefore, a possible collapse of the government coalition before the regular end of the parliamentary term and the need for new elections cannot be ruled out. From a market point of view, we have to wait and see as to what the effect of these political developments will have on energy markets through changes in energy and climate policy as well as international trade relations.

Intensification of competition

Increasing competition and price pressure form a further significant risk. Over the last few years, all three of the EEX Group's main competitors (NASDAQ Commodities, ICE and CME) have introduced power and gas products in the most important European market areas and, in addition, they are also the most important competitors of the EEX Group in their domestic market in North America.

Presence of main competitors on the EEX Group's core markets

	NASDAQ	ICE	CME
Power derivatives market			
Germany	x	x	x
Italy	x	x	x
France	x	x	x
USA	x	x	x
Gas spot markets			
Germany		x	
Netherlands		x	
France			
Gas derivatives markets			
Netherlands	x	x	x
Germany	x	x	
France	x		
USA	x	x	x

The impending split of the German-Austrian price zone has an impact on the power derivatives market.

The split of the German-Austrian price zone also has an impact on the power trading market and, in particular, the derivatives market. In 2017, EEX introduced German power contracts. Overall, the EEX Group's competitors on the European power derivatives markets do not generate particularly high volumes. On the German power derivatives market, NASDAQ generated significant volumes, which, however, significantly declined as a result of dividing the bidding zones. On the North American power market, the EEX Group has established itself as an important trading platform through its subsidiary, Nodal Exchange. The most important competitor on this market is ICE.

On the European gas markets, ICE, in particular, recorded significant volumes in some cases. It can be expected that the positive development of exchange-traded volumes on the European energy markets will lead to the intensification of competition, for example, in the form of price wars and further market entrants. As a result of new regulatory provisions, increasing competition between broker and exchange trading platforms is conceivable. The entry of competitors into both the EEX Group's existing and growth markets means EEX runs the risk of losing the possibility to influence the design of the European energy markets and of being unable to achieve its desired business objectives.

Challenging market environment for EEX Group customers
The great majority of the EEX Group's customers consists of energy and utility companies, transmission system operators, commodity traders and commodity hedge funds.

As a consequence of the energy transition, energy and utility companies are facing far-reaching strategic and financial challenges which could, ultimately, lead to their withdrawal from the EEX Group's markets, as has already happened in individual cases. The decline in revenue associated with the energy transition and a concurrent increase in depreciation/amortisation and provisions for the decline of conventional power generation both place a significant strain on the profitability of these companies. The current situation is affecting the willingness of energy and utility companies to pay for exchange trading activities as well as the credit assessments of external investors and, as a result, the ability of energy and utility companies to provide collateral for exchange transactions. On the other hand, a decline in the creditworthiness of trading participants leads to the reduction of bilateral credit lines, as is usual in OTC trading. In part, this has led to a shift from over-the-counter trading to the exchange resulting in a positive impact on the EEX Group's business activities.

A change in the regulatory framework, e.g. because of MiFID II/MiFIR can prompt individual customers to move business activities to areas with other jurisdictions and, as a result, to other regulatory frameworks. This can change the trading behaviour of some customers and influence the volumes traded at EEX.

Essential opportunities

Organisation of opportunity management
Within the EEX Group, management of opportunities is carried out in the context of strategic management, corporate and product development as well as a continuous improvement process. Based on an analysis of strengths and weaknesses, which is regularly updated, opportunities are identified for entry into new markets or strengthening the Group's market position in existing markets via sophisticated products or processes, an improved cost base as well as new pricing strategies or new partnerships. The projects are then prioritised as part of the annual strategy discussion and planning processes as well as project portfolio management. In this context, value added from the customer's perspective is taken into account, as well as strategic aims and available resources. Essential opportunities are characterised by a significant impact on the assets, financial and earnings position and, as a result, are regularly submitted for profitability assessments during the prioritisation phase. These assessments are recorded in a business plan, along with any major quality assumptions. In this context, the financial analysis (costs, revenue, cash flows and net present value) is conducted for a multi-year period.

Organic growth potential
In particular, the EEX Group has potential for organic growth by expanding its market share in existing markets and by developing new markets.

Market share in existing markets can be expanded by means of the following measures:

- Further increasing the attractiveness of the EEX Group as a trading platform;
- Further improving and expanding clearing services;
- Additional product innovations and regional growth.

The increase in the attractiveness of the EEX Group's markets can be achieved by implementing various measures. On the one hand, the quality of individual order books can be enhanced by improving their liquidity and by reducing the bid-ask spread by acquiring additional market makers or liquidity providers. Targeted price measures also provide the opportunity to increase the attractiveness of the EEX Group's markets. Moreover, the establishment of new representative offices also raises the visibility of the EEX Group in local markets and, as a result, increases awareness of the Group.

Digitalisation, decentralisation and decarbonisation are three major future topics for the EEX Group.

The enhancement and expansion of clearing services directly improves the competitive position of both clearing houses which are part of the EEX Group. All measures which reduce barriers to market entry (particularly relevant for smaller trading participants) while cutting the costs of clearing can lead to the addition of further clearing participants. Further, the introduction of new services, the expansion of clearing house licences as well as the admission of clearing members facilitated by this and the connection of new partner exchanges are also relevant in this regard. Against the background of increasingly stringent regulatory requirements and, therefore, the growing importance of clearing worldwide, this constitutes a significant opportunity for improving the positioning of ECC and Nodal Clear in the global clearing business.

Product innovations tailored to customer requirements can provide the EEX Group with significant opportunities for increasing its market share. The EEX Group is able to respond to changing conditions by developing new, customised products or by adjusting its existing product portfolio. Examples include the day and week-ahead futures introduced on the power derivatives markets as a result of a trend towards increased short-term trading because of the energy transition or the introduction of further short-term products in the gas segment.

Inorganic growth potential
In future, opportunities may again arise for the EEX Group to expand its activities inorganically. This concerns both partnerships or acquisitions with a view to strengthening existing markets and with a focus on the regional expansion and extension of the product range. Inorganic growth underlines the Group's strategic aim of establishing itself as a globally operating exchange for commodity products.

EEX Group Innovation Think Tank
Further developments of particular relevance for the energy sector and, consequently, for EEX, include digitalisation, decentralisation and decarbonsation (the "three Ds"), which are closely connected. Digitalisation further increases automation and, hence, speeds up processes in the energy industry – which is an essential precondition for, integrating decentralised renewable energy into the market, developing flexibility and, hence, replacing fossil power plants in the long run, for instance. Therefore, these developments will also have a significant effect on exchange energy trading. In view of these developments, the EEX Group Innovation Think Tank was established in mid-2016. This internal think tank has set itself the task of promoting innovations and coordinating measures throughout the Group.

General statement on threats and opportunities

In spite of growing uncertainties, in particular due to the financial burdens on the large energy groups (which are important trading participants of the EEX Group) and increasing regulatory developments in both the financial and the energy sector, the risk assessment for the 2017 financial year has not indicated any threat to the Company's continued existence on account of individual risks or aggregated risk positions. However, since there are further noteworthy – and particularly industry-specific – risks, setbacks on the way to permanently implementing planned growth targets cannot be ruled out.

Overall, in view of its innovative and increasingly diversified portfolio of products and services, as well as its earnings power and financial strength, the EEX Group sees itself as being well prepared to achieve its aims and to further strengthen its position with regard to intensified competition. This is due to the competitive value chain within the Group, which is characterised by liquid trading platforms and cost-effective clearing solutions, as well as further services. The EEX Group has set itself the aim of achieving growth rates in the future and increasing its market share in the medium term.

The Management Board is confident that the risk and opportunities management system established within the company will also recognise risks and opportunities early on in future and that, as a result, the current risk position can be successfully managed and potential opportunities can be realised.

4. Outlook report

Comparison of earnings position with the forecast for the 2017 financial year

The EEX Group did not reach target range for sales revenue and earnings before taxes forecast for the reporting year. This was primarily due to the fact that the assumption that changes in the power market design would not have a negative impact on the Group's sales revenue did not materialise. For example, the division of the German-Austrian market area in the power derivatives market in particular had a negative impact on liquidity in this market and led to a decline in sales revenue within this core business area. As a result, earnings before taxes were kEUR 16,361 (18 percent) lower than the average value forecast for the 2017 financial year.

k€	Forecast 2017	Actual 2017
Sales revenue	253,200 – 279,852	225,320
Earnings before taxes	86,056 – 95,114	74,224

Forecast for the 2018 financial year

The outlook report describes the probable development of the EEX Group in the 2018 financial year. It contains statements and information regarding future processes and is based on current expectations, assumptions and forecasts of the Management Board and on the information available at the time of publication. These forward-looking statements cannot be considered as guarantees regarding the future developments and results referred to therein. Instead, the future developments and results depend on a large number of factors. They involve different risks and uncertainties and are based on assumptions which might turn out to be inaccurate. The Group does not assume any obligation to update the forward-looking statements made in this report.

The forecasts listed below are essentially based on the following assumptions regarding the economic, regulatory and competitive environment in 2018:

- Potential changes within the regulatory environment (in particular with regard to OTF) do not have a detrimental impact on regulated platforms.
- Regulatory changes affecting financial markets (for example higher capital requirements for clearing members, no introduction of a financial transaction tax) do not lead to an impairment.
- There is no further negative impact on the liquidity of the core markets as a result of changed power market design and, in particular, a possible division of further price zones or through the introduction of capacity markets.
- There are no price wars with competitors.

Renewed growth in sales revenue in all business areas is expected for the 2018 financial year, with the power and gas markets forecast to be the essential drivers of growth. This growth is mainly supported by a recovery in the power derivatives markets as well as growth on the gas markets at the same time as an expansion in the market shares of the EEX Group. Furthermore, because of the constant growth in liquidity on EEX Group trading platforms as well as an improvement and expansion in the Group's range of products and services and the technical availability for the customer, growth in the number of trading and clearing participants is expected to continue in the future. Overall sales revenue is expected to range between kEUR 276,400 and kEUR 305,500 in 2018.

Renewed growth in sales revenue in all business areas is expected for the 2018 financial year.

The attainment of these growth targets requires additional expenses in the form of variable costs as well as additional investments in product development and projects, in IT infrastructure and an increase in staff numbers, which means that fixed costs are expected to increase to between kEUR 148,400 and kEUR 164,000.

Considering the planned sales revenue and costs for the 2018 financial year, earnings before taxes are expected to be in a range of kEUR 92,100 to kEUR 101,800 are expected.

If, contrary to expectations, conditions do not develop as outlined above, the EEX Group is convinced that it will still be able to operate its business profitably because of its successful business model. Sensitivity analyses have shown that a decline of 10 percent compared to the budget would correspond to a decline in profits of approximately 26 percent. In this context, it is assumed that no cost-cutting measures would be taken and that fixed costs would be kept constant. Subject to these assumptions, a decline in turnover of approx. 38 percent could be handled without resulting in negative earnings before taxes.

Overall statement on the future development of the EEX Group

As a result of its diversified business model, the EEX Group is convinced that it is very well prepared and expects a positive development in its earnings position in the coming year as well as in the medium term. In 2018, the focus will be on the further development of the Group's position in individual markets, the development of new markets as well as the continuing integration of the US Nodal Exchange (which was acquired in 2017) into the corporate group. The further strengthening and expansion of the good position established within a competitive environment, particularly on the power spot and derivatives market as well as the gas markets, is the strategic aim for the coming financial year.

5. EEX AG (Notes based on HGB [German Commercial Code])

Business and general framework

Unlike the consolidated financial statements, the annual financial statements of EEX are not prepared in accordance with International Financial Reporting Standards (IFRS) but according to the provisions of the German Commercial Code (HGB) as well as the supplementary provisions of the German Companies Act (AktG).

EEX is the parent company of the EEX Group. It offers derivatives trading for coal and freight as well as for guarantees of origin. It operates the Market Data Services business area for all subsidiaries based in Germany and provides the technical application landscape for the customers of these companies. Furthermore, it is the central service provider for its subsidiaries in the context of service level agreements.

Statements on the shareholding structure, the shareholder and capital structure as well as the corporate management of EEX are provided under the section "Group overview and basic information" in the "Business activities and group structure" subsection. Information on strategy and research and development is also provided in the corresponding sections on the EEX Group.

Because of the structure of the EEX Group and EEX's position as a parent company within the Group, EEX participates in the development of all business areas within the Group in accordance with the respective shareholdings via profit and loss transfer agreements and dividends. With regard to statements on business development and the general framework, reference is made in the report on the "Economic position" of the EEX Group and the corresponding sections "Macro-economic, industry-specific and regulatory framework" and "Business development".

Earnings position

The earnings position of EEX in the year under review declined on account of the partial decline in the development of EEX's subsidiaries and, hence, the investment income. In the previous financial year, the total revenue of EEX – i.e. the sum of sales revenue, other operating income and investment income – was kEUR 98,753 and, hence, 22 percent lower than in the previous year (kEUR 127,107). The annual net profit was kEUR 36,740 compared to kEUR 66,132 in the previous year and, hence, 44 percent lower.

Profit and loss account of EEX AG

k€	2017	2016
Sales revenue	29,761	28,424
Other operating income	784	1,225
Staff costs	15,777	17,161
Depreciation on intangible assets of the fixed assets and property, plant and equipment	4,159	3,850
Other operating expenses	27,026	19,868
Investment income	71,262	101,845
Other interest and similar income	716	473
Depreciation/reversal of impairments on financial assets	0	129
Expenses from the assumption of losses	3,054	4,387
Interest and similar expenses	180	263
Income taxes	15,587	20,175
Other taxes	1	1
Net profit for the period	**36,740**	**66,132**

Sales revenue
In the 2017 financial year, EEX generated sales revenue of kEUR 29,761, which corresponds to a 5 percent increase as compared to previous year (kEUR 28,424). This consists of transaction fee revenue from trades concluded at EEX, other sales revenue and revenue from the provision of services in the context of intragroup service agreements.

During the reporting year, transaction revenue of kEUR 152 was generated from trading in freight contracts at EEX (previous year: kEUR 10). As in the previous year, EEX did not generate any transaction revenue in trading in coal and guarantees of origin.

The other sales revenue consisted of revenue from technical connections (kEUR 2,456; previous year: kEUR 2,732), revenue from marketing of information products and transparency data as well as regulatory reporting (kEUR 2,933; previous year: kEUR 2,666), training fees (kEUR 334; previous year: kEUR 373) annual fees (kEUR 93; previous year: kEUR 126) and other sales revenue (kEUR 71; previous year: kEUR 179).

In the previous financial year the revenue from intragroup service agreements of kEUR 23,722 (previous year: kEUR 22,338) formed an essential EEX sales component. In its capacity as the parent company of the EEX Group, EEX provides a wide range of services, such as IT services, management services and administrative services, for its subsidiaries. The costs of these services are charged via service level agreements. In addition to the provision of additional services for the subsidiaries, the increase in sales is particularly due to growth in EEX's cost base.

Other operating income
In the 2017 financial year, other operating income was kEUR 784 (previous year: kEUR 1,225). This income primarily included revenue from the reversal of provisions as well as exchange rate gains.

Expenses
During the reporting period, EEX **staff costs** declined by 8 percent from kEUR 17,161 to 15,777. This was mainly caused by lower bonus provisions because of the negative business development. On the other hand, the further expansion in staff of 9 percent in the previous financial year caused higher costs (see also "Employees of EEX AG" with regard to this).

Compared to 2016, **depreciation** of intangible assets, including capital assets and property, plant and equipment, increased to kEUR 4,159 by kEUR 310. This increase (8 percent) was due to the ongoing high investments in IT systems. These are necessary for the:

- Optimisation of the IT infrastructure and IT processes,
- Implementation of system adjustments for the introduction of new markets and products,
- Fulfilment of regulatory reporting requirements.

In total, **other operating expenses** grew from kEUR 19,868 to kEUR 27,026 during the reporting year. To a large extent, these were determined by expenditure on IT systems, consultancy, marketing and infrastructure. This increase in expenses was primarily connected with

- The growth of the entire corporate group and the resulting higher costs for infrastructure and travelling;
- The implementation of new strategic projects;
- The constant optimisation of the IT infrastructure and IT processes as well as the general expansion of the business area with effects on IT systems;
- Increasing regulatory requirements;
- Exchange rate fluctuations.

Investment income
As a result of the EEX Group structure and the position of EEX as the parent company within the Group, EEX participates in the development of its subsidiaries and, as a result, of all business fields within the group through profit-and-loss transfer agreements and dividends.

EEX's results were primarily driven by investment income and expenses from the assumption of losses. In 2017, these were kEUR 68,208 compared to kEUR 97,458 in the previous year. These results consist of income from shareholdings in EPEX and Powernext as well as income or expenses from the transfer of results from ECC, EPD, GEEX and ACEX.

The decline in investment income in the previous financial year was primarily due to a decline in business at the subsidiaries EPD and ECC. In the 2017 financial year, ECC transferred results of kEUR 41,215 (previous year: kEUR 48,195), while EPD transferred kEUR 18,893 (previous year: kEUR 27,666). Furthermore, Powernext paid out a lower dividend of kEUR 8,709 (compared to kEUR 23,147 in 2016) in the previous financial year.

In the 2017 financial year, EPEX paid a dividend from the 2016 profits of kEUR 2,444 to EEX (2016: kEUR 2,015). Furthermore, EEX assumed losses totalling kEUR 3,054 (2016: kEUR −4,387) as a result of the profit-and-loss transfer agreements with GEEX and ACEX.

As the parent company, EEX depends on the operating results of its subsidiaries. The combined results from the shareholdings account for 69 percent (2016: 77 percent) of the total results (consisting of sales revenue, other operating income and investment income).

Financial result

During the reporting year, the financial result (consisting of interest income and expenses, external and internal loans as well as appreciation and depreciation/amortisation in the value of financial assets) was kEUR 537 (2016: kEUR 81). However, the previous year included a one-off loss from the proportionate impairment of the shareholding in store-x Storage Capacity Exchange GmbH, which has now been liquidated. The 2017 financial result included interest income from affiliated companies as well as interest expenses for internal and external loans.

Asset position

Balance sheet of EEX AG as of 31 December 2017

k€	31/12/2017	31/12/2016
Assets		
A. Fixed assets	**342,326**	**114,986**
I. Intangible assets	7,858	7,437
II. Property, plant and equipment	824	978
III. Financial assets	333,645	106,571
B. Current assets	**25,153**	**38,420**
I. Receivables and other assets	23,701	24,760
II. Cash in hand and cash at bank	1,453	13,660
C. Accruals	**1,062**	**535**
	368,542	153,941

k€	31/12/2017	31/12/2016
Liabilities		
A. Equity	**311,056**	**129,282**
I. Subscribed capital	60,075	39,992
II. Capital reserve	145,458	10,000
III. Retained earnings	84,023	46,224
IV. Profits brought forward/Losses brought forward	3,130	0
V. Balance sheet profit	18,370	33,066
B. Provisions	**8,496**	**16,166**
C. Liabilities	**48,985**	**8,493**
I. Liabilities to banks	7,000	17
II. Pre-payments received on orders	0	776
III. Trade payables	1,227	1,236
IV. Liabilities to affiliated companies	40,419	6,250
V. Other liabilities	339	213
D. Deferrals	**4**	**0**
	368,542	**153,941**

Development of assets
During the year under review, the fixed asset value of kEUR 342,326 increased by kEUR 227,340 and was primarily influenced by a rise in value of financial assets of kEUR 227,074 to kEUR 333,645 compared to the previous year. Financial assets reflect the acquisition and sale of shares on the one hand and lending to affiliated companies on the other. The increase in the financial year under review was largely due to the acquisition of Nodal Exchange and an internal loan granted in this connection. Moreover, the acquisition of the shares in Powernext remaining Powernext shares, which were required for a 100 percent shareholding, also contributed to the growth in financial assets. Intangible assets and property, plant and equipment rose to kEUR 7,858 by kEUR 421.

As of the reporting date, current assets of kEUR 25,153 (kEUR –13,267 compared to the previous year) mainly consisted of accounts receivable from affiliated companies in an amount of kEUR 21,323 (previous year: kEUR 23,253), trade receivables of kEUR 833 (previous year: kEUR 784), other assets of kEUR 1,545 (previous year: kEUR 723) as well as cash in hand and cash in bank accounts of kEUR 1,453 (previous year: kEUR 13,660).

As of the reporting date, accruals were kEUR 1,062 (2016: kEUR 535).

Development of equity and debt
EEX's assets were financed through equity of kEUR 311,056 (2016: kEUR 129,282) and debt of kEUR 57,481 (2016: kEUR 24,659). The debt consisted of provisions of kEUR 8,496 and liabilities of kEUR 48,958. Moreover, deferrals of kEUR 4 were formed.

Compared to the previous year, provisions declined by kEUR 7,670 and largely consisted of tax provisions (kEUR 234), provisions for profit shares (kEUR 964), provisions for outstanding invoices (kEUR 3,835) and for staff liabilities (kEUR 2,654). In this context, the tax provisions were kEUR 6,984 and provisions for profit shares were kEUR 4,643 lower than on the previous reporting date.

Liabilities were kEUR 40,492 lower than in the previous year. They principally consisted of liabilities to affiliated companies (kEUR 40,419), liabilities to banks (kEUR 7,000) and trade payables (kEUR 1,227). The significant decline in liabilities compared to the previous year is due to the use of an internal loan from Deutsche Börse AG to finance strategic investments in the reporting year.

As of the reporting date, the EEX balance sheet total was kEUR 368,542 as against kEUR 153,941 in the previous year. At 84 percent, the equity ratio at the end of the financial year was at the same level as in the previous year. The equity ratio is calculated total equity as a proportion of the balance sheet total as of the reporting date (31 December 2017).

Financial position

Due to the negative business development in 2017, liquidity as of the balance sheet date declined from kEUR 13,660 on the previous balance sheet date to kEUR 1,453. The solvency of EEX was not at risk at any time during the year under review and the company was able to cover the expenses resulting from its business operations at all times. In order to secure EEX's liquidity requirements, there are also intra-group and external credit lines which can cover short-term, additional liquidity requirements as they arise. As a result of the mode of payment under the profit-and-loss transfer agreements with its subsidiaries (quarterly pre-payment instead of annual payment) the liquidity of EEX is additionally protected

Employees of EEX AG

In the 2017 financial year, EEX higher additional staff members and internalised existing temporary employment contracts. As of the reporting date, there were 162 employees compared to 148 employees as of 31 December 2016.

As at the reporting date, the age group of the employees was as follows:

Age group	**No. of employees**	**Share**
< 30 years	29	18%
30–39 years	88	54%
40–49 years	35	22%
> 50 years	10	6%
Total	**162**	**100%**

As of 31 December 2017, 90 percent of EEX's workforce had a college or university degree (unchanged compared to the previous year). This share is based on the number of employees who graduated from a university, college or vocational academy.

As of the reporting date, female employees accounted for 50 percent of staff. As of 31 December 2017, there were 22 executive positions at EEX (2016: 15), of which women held 6 (2016:4).

Threats and opportunities report

For the most part, the risks and opportunities for EEX as well as measures and processes to be adopted when dealing with these risks and opportunities correspond to those of the EEX Group. For this reason, we refer to the "Risk and opportunities report" of the EEX Group. In principle, EEX participates in the risks and opportunities of every shareholding and subsidiary in accordance with its shareholding.

The description of the internal control system (ICS) requested according to section 289 subsection 5 HGB was provided in the "Group overview and basic information" of the EEX Group within the "Management control" section.

Outlook report

The probable business development of EEX is essentially subject to the same influences as the EEX Group. Statements on this are contained in the "Outlook report" of the EEX Group.

Other notes

The annual financial statements of European Energy Exchange AG, Leipzig, as of 31 December 2017, were prepared in accordance with the provisions of the German Commercial Code (HGB) in compliance with the supplementary provisions of the German Companies Act (AktG).

Statement by the Management Board according to section 312 subsection 3 AktG

As a subsidiary of Eurex Zurich AG, EEX has prepared a dependency report according to section 312 AktG. The final statement is as follows:

"The Management Board of European Energy Exchange AG, Leipzig, declares in accordance with section 312 AktG that the company has received adequate consideration for every legal transaction listed. The assessment was effected on the basis of the circumstances at the time at which the legal transaction was concluded.

During the period under review, there were no further legal transactions in addition to the legal transactions listed and we are not aware of any measures which would have to be reported."

6. Other notes

The 2017 consolidated financial statements of European Energy Exchange AG, Leipzig, and its subsidiaries were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Boards (IASB), in the version in which these have to be applied in the European Union.

The consolidated management report was prepared on the basis of section 315 HGB (German Commercial Code). The consolidated management report was prepared based on the German Accounting Standard DRS 20.

EEX AG (as the parent company of the Group) is not publicly listed and does not use any organised markets (within the meaning of section 2 subsection 7 of the German Securities Acquisition and Takeover Act) by means of voting shares issued by it.

Leipzig, 2 March 2018

Peter Reitz
Chief Executive Officer (CEO)

Jean-François Conil-Lacoste
Executive Director Power Spot Markets

Steffen Köhler
Chief Operating Officer (COO)

Dr Egbert Laege
Executive Director Gas Markets

Dr Dr Tobias Paulun
Chief Strategy Officer (CSO)

Dr Thomas Siegl
Chief Risk Officer (CRO)

Iris Weidinger
Chief Financial Officer (CFO)

Consolidated Financial Statements

for the Financial Year from
1 January to 31 December 2017

Rounding differences of ± one unit may occur in the tables for arithmetical reasons.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

k€	Note	01/01/2017 – 31/12/2017	01/01/2016 – 31/12/2016
Sales revenue	[6]	225,320	234,158
Net income from banking business	[7]	1,133	–59
Other operating income	[8]	517	2,856
Volume-related costs	[9]	–19,705	–21,218
Net revenue		**207,265**	**215,736**
Staff costs	[10]	–56,493	–52,898
Depreciation, amortisation and impairment losses	[11]	–15,452	–12,331
Other operating expenses	[12]	–61,834	–63,378
Operating result		**73,486**	**87,129**
Financial income	[13]	1,016	1,174
Financial expense	[13]	–228	–703
Financial result		**788**	**472**
Income from at equity investments	[14]	–50	28
Earnings before tax (EBT)		**74,224**	**87,629**
Income tax expense	[15]	–20,358	–29,898
Net profit for the period		**53,866**	**57,731**
Of which attributable to			
shareholders of EEX AG		43,956	49,648
non-controlling interests		9,910	8,083
Reconciliation to consolidated comprehensive income			
Net profit for the period		**53,866**	**57,731**
Other comprehensive income	[16]	–18,461	–196
Total comprehensive income		**35,405**	**57,535**
Of which attributable to			
shareholders of EEX AG		25,552	49,647
non-controlling interests		9,853	7,888

Consolidated Statement of Financial Position

ASSETS

k€	Consolidated notes	31/12/2017	31/12/2016
Non-current assets		**347,757**	**218,862**
Goodwill	[17]	125,900	57,257
Intangible assets	[17]	196,503	116,387
Property, plant and equipment	[18]	3,384	3,731
Investments in associates and joint ventures	[19]	60	31
Other equity investments	[19]	24	24
Derivative financial instruments	[20]	12,424	31,388
Deferred tax assets	[15]	9,463	10,044
Current assets		**3,213,614**	**3,502,375**
Derivative financial instruments	[20]	6,806	10,569
Trade receivables	[21]	377,887	376,658
Other assets	[22]	11,041	13,831
Tax refund claims	[22]	736	151
Accounts receivable from associates	[23]	101	313
Restricted bank balances	[24]	2,682,771	2,973,739
Other cash and bank balances	[25]	134,271	127,115
Total assets		**3,561,371**	**3,721,238**

Consolidated Statement of Financial Position

LIABILITIES

k€	Consolidated notes	31/12/2017	31/12/2016
Equity		**425,806**	**283,846**
Subscribed capital	[26]	60,075	39,992
Capital reserve	[26]	145,458	10,000
Reserves	[26]	86,276	77,269
Retained earnings	[26]	103,481	93,951
Other results	[26]	–19,275	3,320
Non-controlling interests	[26]	49,791	59,314
Long-term liabilities		**50,089**	**63,835**
Non-current provisions	[27]	1,217	1,316
Derivative financial instruments	[20]	12,424	31,388
Non-current liabilities	[28]	794	219
Deferred tax liabilities	[15]	35,656	30,911
Short-term liabilities		**3,085,475**	**3,373,557**
Current provisions	[29]	10,666	11,966
Derivative financial instruments	[20]	6,806	10,569
Other bank loans and overdrafts		7,000	17
Trade payables	[30]	364,403	359,459
Payables to affiliated companies	[39]	30,051	0
Cash deposits by trading participants	[31]	2,656,060	2,973,739
Other current liabilities	[32]	10,489	17,807
Total equity and liabilities		**3,561,371**	**3,721,238**

Consolidated Statement of Changes in Equity

	Subscribed capital	Capital reserve	Reserve according to EMIR Article 45 (4)	Results generated	Equity of EEX shareholders	Share of non-controlling interests	Consolidated equity
As of 31/12/2015	**39,992**	**10,000**	**6,000**	**125,495**	**181,487**	**62,836**	**244,323**
Total result				49,648		8,083	
Consolidation effects				597		1,053	
Dividends paid				−7,198		−12,463	
Reclassifications of reserves			1,500	−1,500			
Foreign currency effects				−1		−195	
As of 31/12/2016	**39,992**	**10,000**	**7,500**	**167,041**	**224,533**	**59,314**	**283,846**
Total result				43,956		9,910	
Capital increase	20,025	135,369					
Consolidation effects				−19,104		−6,963	
Dividends paid				−10,814		−12,412	
Reclassifications of reserves			2,500	−2,500			
Sale of treasury shares	58	89		306			
Net investment hedge				−5,329			
Foreign currency effects				−13,075		−57	
As of 31/12/2017	**60,075**	**145,458**	**10,000**	**160,481**	**376,014**	**49,792**	**425,806**

Consolidated Statement of Cash Flows

k€	Consolidated notes	2017	2016
Change in scope of consolidation	[5]	13,803	2,355
Annual net profit		53,866	57,731
Depreciations on intangible assets and property, plant and equipment	[11]	15,452	12,331
Expenses for/income from deferred taxes	[15]	3,182	652
Result of at-equity investments	[14]	–50	48
(Increase)/Reduction in trade receivables and other assets	[21]–[23]	–1,188	1,470
(Increase)/Reduction in liabilities and provisions	[27]–[30], [32]	–26,291	20,719
Cash flow from operating activities		**44,971**	**92,951**
Payments for investments in associated companies	[19]	–125	219
Payments for investments in intangible assets	[17]	–11,307	–9,696
Payments for investments in property, plant and equipment	[18]	–1,089	–1,035
Payments for the acquisition of shares in fully consolidated subsidiaries	[5]	–215,683	–13,431
Dividends received	[13]	0	72
Cash flow from investing activities		**–228,204**	**–23,871**
Dividend payments to shareholders of EEX AG	[26]	–10,814	–7,198
Dividend payments to non-controlling interests	[26]	–12,412	–12,463
Cash inflow from non-controlling interests		0	4,092
Cash inflow (outflow) from short-term financing		36,983	–9,242
Outflow of funds from the acquisition of own shares	[36]	453	0
Cash inflow from capital increase		155,394	0
Cash flow from financing activities		**169,604**	**–24,811**
Cash-effective change in cash and cash equivalents		174	46,623
Cash and cash equivalents at the beginning of the accounting period		127,097	80,474
Cash and cash equivalents at the end of the accounting period		**127,271**	**127,097**
In the financial year			
Interest received and similar income	[13]	960	1,154
Dividends received	[13]	0	72
Interest paid and similar expenses	[13]	–209	–664
Income taxes paid	[15]	13,769	25,691

Principles and methods

1. General principles

The European Energy Exchange (EEX) is the leading energy exchange in Europe. It develops, operates and connects secure, liquid and transparent markets for energy and commodity products. Within the EEX Group, contracts on Power, Coal and Emission Allowances, as well as Freight Rates and Agricultural Products, are traded or registered for clearing and settled.

EEX is a public limited company registered in the Federal Republic of Germany. It has its registered offices at Augustusplatz 9, 04109 Leipzig, Germany and is registered in the commercial register of the Leipzig Local Court under HRB no. 18409.

The EEX Group is fully consolidated in the consolidated financial statements of Deutsche Börse AG.

These consolidated financial statements are submitted to the Supervisory Board at its meeting on 10 April 2018.

2. New standards and interpretations

Information according to IAS 8.28
The standards and interpretations listed below were applied for the first time in the 2017 financial year.

IAS 7 DISCLOSURE INITIATIVE
Notes regarding changes in the liabilities for financing activities. These amendments are applicable for financial years beginning on or after 1 January 2017. The amendments were endorsed by the EU on 6 November 2017.

IAS 12 RECOGNITION OF DEFERRED TAX ASSETS FOR UNREALISED LOSSES
Assessment of deferred tax assets for unrealised losses in the case of assets recognised at fair value. The amendments are applicable for financial years beginning on or after 1 January 2017. They were endorsed by the EU on 6 November 2017.

Information according to IAS 8.30
The EEX Group does not plan to apply the following new or amended standards and interpretations, whose application will only become necessary in subsequent financial years, earlier than required.

IFRS 9 FINANCIAL INSTRUMENTS
Revised guidelines for the classification of financial assets; new provisions regarding recording of impairments on the basis of a model of the expected losses; new provisions regarding the representation of hedge accounting. The standard was endorsed by the EU on 22 November 2016 and is applicable for financial years beginning on or after 1 January 2018.

IFRS 15 Revenue from Contracts with Customers IFRS 15
contains provisions on the realisation of sales revenues from contracts with customers. According to these rules sales revenues are recognised, when the promised goods or services were transferred to the customer and the customer can benefit from it. Sales revenues are valuated with the amount of the consideration which the entity expects to receive. The new provisions of IFRS 15 will replace the currently existing rules of IAS 11 and IAS 18 together with the corresponding interpretations. The standard is applicable for financial years beginning on or after 1 January 2018 and allows earlier adoption. The standard was endorsed by the EU on 22 September 2016 and the clarification being endorsed on 31 October 2017.

IFRS 16 LEASES
IFRS 16 implements new rules on the accounting of leasing contracts. The new standard defines the recognition, measurement and presentation of leases on the balance sheet of the lessee, the right of use as an asset and the payment obligation as financial liability. The standard is applicable for financial years beginning on or after 1 January 2019 and allows earlier adoption in case of earlier adoption of IFRS 15 at the same time. The standard was endorsed by the EU on 31 October 2017.

The following amendments do not have to be applied due to the lack of EU endorsements:

IFRS 2 CLASSIFICATION AND MEASUREMENT OF SHARE-BASED PAYMENT TRANSACTIONS
Accounting of share-based payment transactions with cash settlement; determination of the fair value of the liabilities resulting from share-based payments. These amendments are applicable for financial years beginning on or after 1 January 2018.

Annual Improvements 2014–2016
Modifications and clarifications of various IFRS

IFRIC 22 FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION
Accounting of business transactions upon receipt or payment of considerations in foreign currency

IAS 40 TRANSFERS OF INVESTMENT PROPERTY
Clarification of the provisions regarding transfers from or to the stock of investment properties upon an obvious change of use

IFRS 17 INSURANCE CONTRACTS
IFRS 17 defines recognition, measurement, presentation and disclosures on insurance contracts. The aim is to provide relevant information by the entities and shall foster a fair presentation of insurance contracts.

IFRIC 23 UNCERTAINTY OVER INCOME TAX TREATMENTS
This interpretation clarifies the recognition of current and deferred tax assets and liabilities with uncertainties regarding the income tax treatment.

With the exception of the new IFRS 16 for leasing contracts, the amendments specified above do not have any essential impact on the presentat ion of the assets, earnings and financial position of the EEX Group. The quantitative impact of the adoption of the new IFRS 16 standard cannot yet be reliably determined.

3. Fundamental accounting and valuation methods

The fundamental accounting and valuation methods which are used in the preparation of these consolidated financial statements are described below. The methods described are used consistently for the specified accounting periods, unless otherwise stated.

Principles for the preparation of the financial statements
The consolidated financial statements as of 31 December 2017 were prepared according to the International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB) as adopted for application in the European Union. The consolidated financial statements were prepared by applying the regulations contained in (EC) Regulation no. 1606/2002 of the European Parliament and Council of 19 July 2002 regarding the application of international accounting standards in conjunction with section 315a subsection 1 HGB [German Commercial Code] under consideration of the supplementary provisions under commercial law.

The requirements of IFRS are fully met and ensure that an impression of the assets, earnings and financial position of the Group is conveyed which is in line with the actual situation of the Group.

With the exception of derivatives, which are measured at fair value, the consolidated financial statements were prepared on the basis of the historical costs of acquisition and production.

The consolidated financial statements are prepared in EUR. Unless otherwise stated, all amounts are specified in thousand Euros (kEUR).

Principles of consolidation

SUBSIDIARIES

All companies in which the Group controls rights which are required to conduct the decisive activities of the subsidiary are defined as subsidiaries; as a rule, such control is accompanied by a share of more than 50% of the voting rights. In addition to this, EEX is exposed to fluctuating returns from subsidiaries and is able to influence these returns. In assessing the question on as to whether such control is ensured, the existence and effect of potential voting rights, which can be currently exercised or converted, is taken into account.

Subsidiaries are included in the consolidated financial statements (full consolidation) as of the time at which control was transferred to the Group. They are deconsolidated at the time at which such control ceases.

Accounting for subsidiaries acquired in a business combination is done according to the purchase method. The acquisition costs correspond to the fair value of the assets given, the equity instruments issued and the debts created and/or assumed at the time of the transaction. Assets, debts and contingent liabilities which can be identified in the context of a corporate merger are measured at fair value on the date of acquisition, regardless of the extent of non-controlling interests. The surplus of the acquisition costs over and above the Group's share in the net assets measured at fair value is shown as goodwill. If the acquisition costs are lower than the net assets of the acquired subsidiary measured at fair value, the amount of such difference is directly recorded in the profit and loss account.

Intra-group receivables and payables as well as intra-group transactions are eliminated. To the extent necessary, the accounting and valuation methods for subsidiaries are adapted in order to ensure uniform accounting throughout the Group.

Assets held in the context of a fiduciary relationship are not considered as assets of the Group and are not reported in the consolidated financial statements.

TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Transactions with non-controlling interests are treated in the same way as transactions with parties external to the Group. Acquisitions and sales of non-controlling interests are recognised directly in equity in the consolidated financial statements.

ASSOCIATES

Associates are those companies over which the Group exercises significant influence but which it does not control; as a rule, this is accompanied by a share of between 20% and 50% of voting rights. Investments in associates are reported in the balance sheet by using the equity method and, initially, they are measured at their acquisition costs. The investment in associates includes goodwill created at the time of acquisition (after consideration of cumulative impairments).

The Group's share in the profit and loss of associates is recorded in the consolidated statement of profit or loss as of the date of acquisition. The cumulative changes after acquisition are offset against the book value of the investment. If the Group's share in the loss of an associate is equal to the share of the Group in this company, including other unsecured accounts receivable, or exceeds said value, the Group does not record any further losses unless it has entered into obligations for the associate or has made payments for it.

To the extent necessary, the accounting and valuation methods for associates are adapted in order to ensure uniform accounting throughout the Group.

JOINT VENTURES

Joint ventures are accounted for using the equity method as per IFRS 11.

Property, plant and equipment

Property, plant and equipment assets are capitalised at the cost of acquisition and/or production and depreciated linearly as scheduled in accordance with their probable useful life.

Subsequent costs of acquisition and production, e.g. on account of expansion or replacement investments, are only recorded as a part of the costs of acquisition and production of the asset or – if appropriate – as a separate asset, provided it is likely that an economic benefit will accrue to the company from it in the future and that the costs of the asset can be reliably estimated.

Expenses for maintenance activities which do not constitute essential replacement investments (day-to-day services) are recognised as expenses in the consolidated statement of profit or loss for the financial year during which they were incurred.

All assets are depreciated linearly. Office equipment is depreciated over a period of 13 years, while hardware is generally depreciated over a period of three years.

Residual book values and useful life are reviewed on every balance sheet date and adjusted if required. If the book value of an asset exceeds its estimated recoverable amount, it is immediately depreciated to the latter.

Gains and losses from the disposal of property, plant and equipment are determined as the amount of the difference between the sales proceeds and the book value of the property, plant and equipment, and recognised in profit or loss.

Intangible assets

Intangible assets are amortised linearly, provided they have a definite useful life.

GOODWILL

Goodwill is defined as the difference between the costs of acquisition of a company over and above the fair value of the share of the Group in the net assets of the company acquired at the time of acquisition. Any goodwill created by the acquisition of the company is reported in the balance sheet under intangible assets. Any goodwill resulting from the acquisition of an associate is contained in the book value of the investment in this associate. The goodwill shown in the balance sheet is subject to an annual impairment test and carried at its historical cost of acquisition minus cumulated impairments. Reversals of impairment losses are not permissible.

Goodwill is allocated to cash-generating units for the purpose of the impairment test. This allocation is effected into those cash-generating units which were expected to benefit from the business combination during which the goodwill was created.

OTHER INTANGIBLE ASSETS

Purchased software is capitalised at its cost of acquisition and production plus the cost for establishing a state ready for going into operation minus any possible grants. The total costs of acquisition are depreciated over the estimated useful life.

An intangible asset which is created by the company itself and results from development activity (or the development phase of an internal project) is shown if, and only if, all of the following conditions are met:

- Technical feasibility of completion of the intangible asset is ensured so that it will be available for use or for sale;
- The completion of the intangible asset as well as its use or sale are intended;
- There is a likelihood of using or selling the intangible asset;
- An assessment has been made as to how the intangible asset will generate its probable future economic benefit;
- The expected future benefit in the form of external sales revenues exceeds the expected costs of the project;
- The availability of adequate technical, financial and other resources for the completion of the development and the use or sale of the intangible asset is ensured;
- The necessary capacity exists to reliably determine the expenses allocable to the intangible asset in the context of the development.

The value at which an intangible asset created by the company itself is capitalised for the first time corresponds to the total of the expenses incurred as of the day on which said intangible asset fulfils the conditions specified above. In the case where an intangible asset created by the company cannot be capitalised, the development costs are recognised as a cost in the accounting period during which they are incurred.

Capitalised costs of acquisition and production for software are amortised linearly over its useful life. A useful life of three years is assumed for standard software. Individual software, on the other hand, is amortised over five years.

Impairment of non-monetary assets

Assets which have an indefinite useful life are not depreciated according to schedule; rather, they are subject to an impairment test, at least once a year, as well as upon the emergence of corresponding indicators as a supplement. Assets which are subject to scheduled depreciations are tested for impairment where there are corresponding triggers (events and/or changes in circumstances) signalling that the book value may no longer be realised. An impairment loss is recorded as the amount by which the book value exceeds the recoverable amount. The recoverable amount is the higher of the fair value of the asset less costs of disposal and its value in use.

For the purpose of the impairment test, assets are combined at the lowest level for which the cash flows can be identified separately (so-called cash-generating units). Non-monetary assets for which an impairment has been recorded in the past are reviewed as to whether a reversal of impairment losses needs to be effected as of every reporting date.

Leasing contracts

The allocation of beneficial ownership has to be evaluated for every leasing contract. Leasing contracts in which an essential share of the risks and rewards associated with the ownership of the object of the lease remains with the lessor are classified as operating leases. Otherwise, the contract constitutes a finance lease.

According to IAS 17 (finance lease), rented or leased assets whose beneficial owner is EEX are shown in the assets at the present value of the rent or leasing instalments or at the fair value of the rental or leasing object, if such is lower, and depreciated linearly according to schedule.

Where ownership is transferred to EEX at the end of the leasing term, the period of depreciation corresponds to the useful life; otherwise, it corresponds to the leasing term of the object of the lease. The present value of payment obligations from future rental and leasing instalments is reported as a liability and subsequently reduced by the repayment share contained in the rental and leasing payments.

Rental and leasing contracts in which EEX cannot be allocated beneficial ownership are classified as operating leases. The expenses resulting from these agreements are recorded fairly at the time of the use of the corresponding rental and leasing objects. They are recorded linearly in the profit and loss account throughout the term of the leasing contract.

The classification of a leasing contract is assessed when the total of the leasing payments exceeds kEUR 50.

Financial assets

A financial instrument is defined as a contract which simultaneously leads to a financial asset for one company and to a financial liability or equity instrument for the respective other company.

Financial assets comprise the following:

- Liquid funds;
- An equity instrument of another company held as an asset;
- A contractual right:
  a) to obtain liquid funds or other financial assets from another company, or
  b) to exchange financial assets or financial liabilities with another company at potentially advantageous conditions; or
- A contract which will or can be fulfilled in own equity instruments of the company and which constitutes the following:
  a) a non-derivative financial instrument which comprises or can comprise a contractual obligation of the company to receive a variable number of equity instruments of the company, or
  b) a derivative financial instrument which will or can be fulfilled in another manner than through the exchange of a fixed amount of available funds or other financial assets in return for a fixed number of equity instruments of the company. In that sense, the equity instruments of a company do not comprise any instruments which themselves constitute contracts regarding the future receipt or the future sale of equity instruments of the company.

Recognition and derecognition of financial instruments are effected as per trading day. Said day is the day of the purchase or sale of a financial asset on which the terms of contract provide for the delivery of the financial asset within the time frame common for the market concerned. Initial recognition is effected at fair value plus transaction costs. Financial assets categorised as “at fair value through profit or loss” are exempt from this. In this case, initial recognition is effected at fair value without consideration of transaction costs.

Financial assets are allocated according to the following categories:

- Assets recognised at fair value through profit or loss;
- Loans and receivables,
- Financial assets available for sale.

The allocation to a category depends on the type and intended purpose of the financial assets and is effected upon addition of the asset. The allocation to a category needs to be reviewed as of every reporting date.

Financial assets in the EEX group are allocated to the following three categories:

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

These are financial assets classified as "held for trading" or as "assets recognised at fair value through profit or loss" at inception. A financial asset is assigned to this category if it was acquired with the intention of selling it in the short term on principle or where the financial asset was designated accordingly by management. Derivatives are also part of this category unless they are designated as financial instruments in a hedge relationship (hedges). Assets falling under this category are reported as current assets if they are either held for trading or will probably be realised within a period of 12 months after the balance sheet date.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed and/or definable payments which are not quoted on an active market. They are part of the current assets if their term does not exceed a period of 12 months after the reporting date. If this is not the case, they are reported as non-current assets.

Loans and receivables are reported under trade receivables or other assets in the balance sheet.

FINANCIAL ASSETS AVAILABLE FOR SALE

According to IAS 39, financial assets are also allocated to the category "financial assets available for sale". They are shown in the balance sheet at fair value as of the reporting date or, to the extent that this cannot be determined reliably, at amortised acquisition cost. Since the fair values of equity investments held by the EEX Group cannot be determined by means of suitable valuation methods, they are reported in the balance sheet at acquisition cost.

Derivatives and Hedges

EEX has entered into short-term forward transactions in order to economically hedge the foreign exchange risk associated with forecast net cash outflows in GBP for 2018. These derivatives have a notional value of 4 million GBP expiring in less than 12 months and are classified as held for trading. The fair values of the forward transactions were determined based on discounted cash flows expected for the future and using market interest rates for the remaining maturities of the financial instruments.

In connection with the acquisition of Nodal Exchange Holdings, LLC a shareholder loan with the principal amount of USD 50 million was designated as a hedge against foreign exchange risk arising from the translation of this item into euros to hedge the net investment in Nodal Exchange Holdings, LLC. Effective exchange rate differences from the loan were reported in the balance sheet item "other comprehensive income", as are exchange rate differences from the translation of the functional currency of foreign subsidiaries. For the 2017 financial year, the effectiveness of this net investment hedge was confirmed.

Financial instruments of the central counterparties

European Commodity Clearing (ECC) und Nodal Clear, which were acquired in the 2017 financial year (see note 5), are the clearing houses of the EEX Group and they have the function of a central counterparty.

UNCONDITIONAL FUTURES TRANSACTIONS

In the case of certain futures, the physical delivery of the subject of the contract is intended and mandatory from the outset. The parties to the contract can close out their obligations through a matching transaction. Futures which were already traded before the reporting date but whose last trading day occurs after the reporting date, in particular, are relevant in terms of the balance.

Variation margins cover daily profits and losses of open positions which are caused by changes in the market price. Since this is a daily profit and loss settlement in cash, futures are not shown in the consolidated balance sheet according to IAS 39.17(a) and IAS 39.39.

Futures with mandatory cash settlement are treated as being equivalent to forward contracts with physical settlement and, consequently, they are neither shown as assets nor as liabilities in the balance sheet.

CONDITIONAL FUTURES TRANSACTIONS

In the case of options, the buyer of an option has to pay an option premium upon the conclusion of the contract. In the event of price fluctuations which have a negative impact on the seller of the option and lead to losses if the option is exercised, collaterals are called from the seller. The buyer of an option, on the other hand, cannot sustain any further losses beyond the option premium already paid, since the buyer is not obliged to exercise the option. In other words, the value of an option depends on the possible losses which the seller might sustain.

Options need be shown at fair value as of the reporting date. In this context, the option premiums for open positions are used. Asset and liability positions of the same amount are created since ECC, in its capacity as the central counterparty, has both an account receivable from the seller of the option and an account payable to the buyer of the option.

Options are classified under the category "financial assets at fair value through profit or loss".

Trade receivables

Initially, trade receivables are recognised at fair value. Afterwards, they are valued at amortised acquisition cost and, to the extent they have a remaining term of more than 12 months, by using the effective interest rate method, as well as by deducting impairments. An impairment of trade receivables is recorded if there are objective indications pointing to the fact that the amounts of trade receivables which have fallen due cannot be collected in their entirety. Considerable financial difficulties of a debtor, an increased likelihood of the debtor becoming insolvent or entering into some other reorganisation measure and a breach of contract such as a default or delay in interest or redemption payments are considered indicators of the presence of an impairment. The amount of such impairment is categorised as other operating expenses in the consolidated statement of profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash assets, sight deposits, other highly liquid short-term financial assets with an original term of, at a maximum, three months, and overdraft facilities. These are financial assets available for sale.

Overdraft facilities used are shown as "Other bank loans and overdrafts" under current liabilities in the consolidated statement of financial position.

Collaterals

According to the Clearing Conditions, every trading participant needs to provide a certain amount of collateral. This form of collateral can be delivered in securities, bank guarantees (only for the clearing fund) or in the form of cash funds.

Liabilities from cash collaterals are reported under the item "Cash deposits by trading participants" in the consolidated statement of financial position. The corresponding amounts are reported under "Restricted bank balances".

Collaterals delivered in the form of securities are pledged by the clearing members. These are not shown in the consolidated statement of financial position.

Financial debts

Upon their first recognition, financial debts are measured at fair value and after the deduction of transaction costs. In subsequent accounting periods, they are valued at amortised acquisition cost; every difference between the payout amount (after the deduction of transaction costs) and the repayment amount is recorded in the profit and loss account by using the effective interest method throughout the term of lending.

Loan liabilities are classified as current liabilities if the Group does not have the unconditional right to postpone the repayment of the liability to a date at least 12 months after the reporting date.

Deferred taxes

Deferred taxes are recognised for all temporary differences between the tax balance sheet value of the assets/liabilities and their book values according to IFRS. Deferred taxes are measured by using the tax rates (and taxation provisions) which are applicable on the reporting date or which have been legally adopted on the reporting date and which are expected to be valid at the time of the realisation of the deferred tax asset and/or of the settlement of the deferred tax liability.

Deferred tax liabilities which are caused by temporary differences in connection with investments in subsidiaries and associates are stated, unless the time of the reversal of the temporary differences can be determined by the Group and it is likely that the temporary differences will not be reversed in the foreseeable future on account of this influence.

Deferred tax assets on losses carried forward are assessed to the degree to which it is likely that they can be used. The use of deferred tax assets on losses carried forward depends on whether sufficient taxable income is likely to be generated in the future. The earnings situation in the past as well as planning calculations are used to evaluate the likelihood of such a situation.

Employee benefits
Within the Group there are both defined benefit pension plans and defined contribution pension plans.

A defined contribution pension plan is a pension plan under which the Group pays fixed contributions to a company (fund) which is not part of the Group. The Group is not subject to any legal or de facto obligation to provide additional contributions where the fund does not have sufficient assets in order to settle the pension claims of all employees from the current and previous financial years. By contrast, defined benefit pension plans typically specify an amount of pension benefit which an employee will receive upon retirement and which usually depends on one or more factors, such as age, length of service and salary.

Provisions for defined benefit plans recognised in the consolidated statement of financial position correspond to the present value of the defined benefit obligation (DBO) on the reporting date. The DBO is calculated annually by an independent actuary by using the projected unit credit method. The present value of the DBO is calculated by discounting the expected future outflow of funds at the interest rate for corporate bonds with the highest credit rating. The corporate bonds are specified in the currency of the payment amounts and have terms corresponding to those of the pension obligations.

Current service costs to be settled subsequently are immediately recognised in the statement of profit or loss unless modifications to the pension plan depend on the continued service of the employee in the company for a fixed term (term until the beginning of non-vesting). In this case, the current service costs to be settled subsequently are recognised in the statement of profit or loss linearly throughout the period until the beginning of non-vesting.

Actuarial profits and losses are immediately recognised in the statement of profit or loss. Any pension plan assets are deducted from the pension provisions.

Provisions
Provisions are carried as liabilities where the Group has a current legal or de facto obligation resulting from a past event if it is more likely than not that the settlement of the obligation will lead to a cash outflow and the amount of the provision can be determined reliably. Provisions for future operating losses are not recorded.

Provisions are recognised at the present value of the expected expenses; in this process, a pre-tax interest rate is used which takes into account current market expectations regarding the interest effect and the risks specific to the obligation. Increases in the provision resulting merely from compounding are recognised as interest expenses in the statement of profit or loss.

Revenue recognition
All trading and clearing fees for derivatives transactions are provided on the trading day, while delivery fees for spot market transactions are provided upon successful nomination.

Sales revenue is recorded during the period in which the services are provided by the Group.

Interest income and interest expenses are recorded if it appears sufficiently likely that an economic benefit from the transaction will accrue to the company and the amount of the revenue can be determined reliably. Interest expenses are recorded as expenses during the period in which they were incurred.

The statement of profit or loss is structured according to the total cost method.

Transactions in foreign currencies
Transactions in foreign currencies are converted into the functional currency (EUR) at the mean foreign exchange rate valid at the time of the transaction. Gains and losses resulting from the fulfilment of such transactions as well as from the conversion of monetary assets and debts recorded in foreign currencies at the exchange rate, valid on the reporting date, are recorded in the statement of profit or loss.

Foreign exchange differences which arise in the context of consolidation as a result of the conversion of financial statements in foreign currencies are recognised in other comprehensive income.

Fair value measurement
The fair values of financial instruments are determined on the basis of corresponding market values or valuation methods. The fair values for liquid funds and other current original financial instruments (in particular trade receivables and trade payables) correspond to the book values shown in the balance sheet as of their respective reporting dates.

The fair value of derivatives traded in an active market is based on the exchange price on the reporting date. Since ECC acts as buyer and seller at the same time, the relevant exchange price of financial assets corresponds to their current bid price.

The fair value of financial liabilities disclosed in the Notes is determined by discounting contractual future cash flows at the currently valid market interest rate which would be granted to the Group for comparable financial instruments.

4. Estimates, valuation uncertainties and discretionary decisions

All estimates and assessments are constantly reevaluated and are based on experience gained in the past and additional factors, including expectations with regard to future events, which appear reasonable under the prevailing circumstances.

The Group makes assessments and assumptions regarding the future. The estimates derived from these will obviously only in very rare cases correspond exactly to the actual circumstances arising later.

The EEX Group's corporate planning based on its business segments constitutes the basis for the annual impairment test regarding the respective goodwill. This planning makes assumptions regarding the future development of the expense and income items of the cash-generating units concerned.

Further estimates and assessments have been made, especially with regard to evaluating the likelihood that certain provisions will be utilised, as well as the realisability of deferred tax assets.

5. Changes in the scope of consolidation

European Energy Exchange AG, Leipzig, Germany, (EEX) founded EEX US Holdings, Inc., Wilmington, Delaware (USA), as a wholly owned subsidiary in March 2017. With effect from 3 May 2017, EEX US Holdings acquired all shares in Nodal Exchange Holdings, LLC, Tysons Corner, Virginia (USA), (Nodal Exchange). Part of the transaction was carried out indirectly by EEX US Holdings acquiring the shares in Lex Holdings II, LLC, Wilmington, Delaware (USA). Nodal Exchange is a regulated derivatives exchange which offers over 1,000 electric power and natural gas contracts at hundreds of unique locations allowing market participants to hedge against price risks in the United States. All of the transactions on Nodal Exchange are cleared through its clearing house, Nodal Clear, LLC, Tysons Corner, Virginia (USA), a derivatives clearing organisation under the Commodity Exchange Act that is regulated by the U.S. Commodity Futures Trading Commission (CFTC).

The purchase price was 207 million USD paid in cash. Since the completion of the transaction on 3 May 2017, EEX US Holdings, together with the other entities acquired as part of the transaction, has been fully consolidated into the consolidated financial statements.

The preliminary purchase price allocation had the following results:

k US$	
Consideration transferred	**206,982**
Acquired bank balances	–15,062
Total consideration	**191,920**
Acquired assets and liabilities	
Customer relationships	60,000
Exchange and clearing registrations	26,700
Trade names	5,400
Software and other intangible assets	6,285
Other non-current assets	234
Restricted bank balances	459,386
Other current assets	2,531
Cash deposits by market participants	–439,386
Other current liabilities	–1,618
Deferred tax liabilities on temporary differences	–9,768
Non-controlling interests	0
Total assets and liabilities acquired	**109,764**
Goodwill (partly tax-deductible)	**82,156**

The acquired goodwill resulting from the transaction amounts to 82.2 million USD and mainly reflects expected revenue synergies to be generated by higher trading volumes given that Nodal Exchange is part of a larger corporate group, which will increase the attractiveness of its range of products and services. Furthermore it is expected that the global gas business will benefit from the shared customer base.

The full consolidation of the Nodal Exchange group generated a rise of 7.0 million USD in sales revenue as well as an increase of 228 thousand USD in earnings after tax. Full consolidation as of 1 January 2017 would have led to a rise of 13.4 million USD in sales revenue and an increase of 1.1 million USD in earnings after tax.

In connection with the simplification of the entity structure of Nodal Exchange group after acquisition by EEX , the interim holding company Lex Holdings II, LLC was dissolved and EEX US Holdings, Inc. was merged into Nodal Exchange Holdings, LLC.

In the year under review, EEX acquired all shares in Powernext SAS (Powernext) which were held by non-controlling shareholders so that the shareholding increased to 100 percent. The share quote in all shares of fully consolidated subsidiaries held indirectly by Powernext increased accordingly. As a consequence, EEX now holds 51 percent of the shares in EPEX SPOT SE.

By initiating liquidation proceedings for the entities APX Commodities Ltd., London, Great Britain, and APX Shipping B.V., Amsterdam, Netherlands, these companies were excluded from the scope of consolidation in the current financial year.

The shares held in Index Marketing Solutions Limited, London, United Kingdom, which was classified as an associate and accounted for using the equity method, were divested on 9 March 2017.

Notes on the Consolidated Profit and Loss Account

6. Sales revenue

Sales revenue was as follows:

k€	2017	2016
Transaction fees		
Power Derivatives	68,984	87,206
Power Spot	67,652	67,534
Natural Gas	38,804	32,846
Environmental Products	3,803	2,479
Clearing Services	716	1,727
Global Commodities	382	501
Agriculturals	380	326
Other revenues		
Market Data Services	5,390	5,019
Other	39,209	36,520
Total sales revenue	**225,320**	**234,158**

Transaction revenue is calculated on the basis of the generated trading volumes by using the prices published in the respective current price list. Reference is made to the management report with regard to further explanations on the development of sales revenue.

7. Net income from banking business

This item shows the result generated from investing of cash collaterals provided by trading participants in the context of clearing.

8. Other operating income

This item includes other operating income which is not considered as sales revenue. It includes, among others, gains from foreign currency differences.

9. Volume-related costs

This reflects variable costs, such as market maker costs or system costs which are incurred based on sales.

10. Staff costs

As of 31 December 2017, 542 members of staff were employed in the EEX Group (2016: 453). As of the reporting date, female employees accounted for 41% of staff.

k€	2017	2016
Wages and salaries	43,157	40,069
Social security contributions	10,082	9,625
Pension costs	3,254	3,204
Total	**56,493**	**52,898**

11. Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses were structured as follows:

k€	2017	2016
Intangible assets	13,855	10,753
Property, plant and equipment	1,597	1,579
Total	**15,452**	**12,331**

12. Other operating expenses

k€	2017	2016
System costs	27,897	24,819
Consulting	15,681	19,730
Office expenses	6,507	5,394
Marketing, events and travelling expenses	6,070	6,229
Audit costs	957	653
Insurance policies, contributions	941	1,141
Supervisory Board emoluments	521	474
Non-deductible input tax	–400	–305
Other expenses	3,659	5,241
Total	**61,834**	**63,378**

Other expenses include, for example, costs for temporary employment, training programmes and foreign currency exchange losses. The item non-deductible input tax contains reimbursements from previous years.

13. Financial result

The financial result has the following structure:

k€	2017	2016
Interest and similar income	960	1,155
Interest expenditure	–209	–664
Dividends from investments	56	20
Compounding of provisions	–19	–39
Financial result	**788**	**472**

14. Income from at-equity investments

The result from at-equity investments mainly comprises the result for SEEPEX AD accounted for using the equity method.

15. Income tax expense

This item records the current income taxes as well as deferred taxes. Current income taxes are recognised at the time they are incurred.

k€	2017	2016
Current income taxes	23,372	30,550
Income taxes for previous periods	168	0
Deferred income taxes	–3,182	–652
Total	**20,358**	**29,898**

For the purpose of calculation of deferred taxes, a country-specific tax rate is used according to the following overview:

Country	Tax rate in %
Belgium	34.000
Denmark	22.000
Germany	31.925
France	33.330
Great Britain	19.000
Netherlands	25.000
Austria	25.000
Czech Republic	19.000
USA	27.000

The tax rate for Germany is unchanged with an assessment rate for the trade tax rate of 460%, a basic rate of tax of 3.5%, a corporation tax rate of 15% and the solidarity surcharge of 5.5% on corporation tax.

The expected income tax expenses which would have resulted from the application of the tax rate of 31.925% for Germany on the earnings before tax under IFRS are reconciled to the reported income taxes as follows:

k€	2017	2016
Earnings before tax	**74,224**	**87,629**
Tax rate	31.925%	31.925%
Expected tax expenditure	**23,696**	**27,975**
Tax-free income	–103	–47
Changes in tax rates	–3,319	39
Non-deductible operating expenses	31	629
Other permanent balance sheet differences	527	103
Tax expenses/income for previous periods	–2,378	–164
Amendments/Non-use of loss carry-forwards	1,754	292
Differences from the assessment basis for trade tax	–65	1,318
Others	215	–248
Effective tax expenditure	**20,358**	**29,898**

The following deferred tax assets and deferred tax liabilities arise from temporary differences between the tax and IFRS balance sheets and from tax loss carry-forwards:

k€	Deferred tax assets 2017	Deferred tax assets 2016	Deferred tax liabilities 2017	Deferred tax liabilities 2016
Intangible assets	8,125	8,986	35,654	31,459
Property, plant and equipment	43	330	2	12
Other receivables	41	34	0	0
Loss carry-forwards	0	0	0	0
Non-current provisions	41	49	0	19
Current provisions	744	418	0	0
Current liabilities	469	902	0	96
Outside basis differences	0	0	0	0
Gross value	**9,463**	**10,719**	**35,656**	**31,586**
Offset	0	–675	0	–675
Total	**9,463**	**10,044**	**35,656**	**30,911**

Deferred tax assets are recognised with regard to tax loss carry-forwards if their realisation appears sufficiently probable, based on corporate planning calculations. Tax loss carry-forwards of kEUR 25,111 (2016: kEUR 18,839) were not recognised. There are no restrictions on when these loss carry-forwards may be used.

There are taxable temporary outside basis differences of kEUR 4,249 (2016: kEUR 8,351), which were not shown as deferred tax liabilities in accordance with IAS 12.39.

The deferred taxes are structured as follows (depending on the term until realisation):

k€	2017	2016
Deferred tax assets		
which will be realised after more than 12 months	8,209	9,398
which will be realised within a period of 12 months	1,254	1,321
Total	**9,463**	**10,719**
Deferred tax liabilities		
which will be realised after more than 12 months	35,656	31,490
which will be realised within a period of 12 months	0	96
Total	**35,656**	**31,586**

16. Other comprehensive income

This item includes effects recorded directly in other comprehensive income from the conversion of financial statements of subsidiaries prepared in foreign currencies in an amount of kEUR –13,946 (2016: kEUR 3,320) and from a hedge of a net investment in a foreign operation in an amount of kEUR –5,329.

With regard to currency conversion as of 31 December 2017, the following relevant exchange rates to the Euro were used:

	Closing rate on 31/12/2017
CHF	1.1680004
GBP	0.8860305
SGD	1.5989980
USD	1.1968500

Notes on the Consolidated Statement of Financial Position

17. Goodwill and intangible assets

The goodwill and intangible assets developed as follows:

k€	Other intangible assets	Goodwill	Total
Costs of acquisition as of 31/12/2015	**142,438**	**76,964**	**219,402**
Change in the scope of consolidation	4,279	6,812	11,091
Additions	9,696		9,696
Disposals	–986		–986
Costs of acquisition as of 31/12/2016	**155,427**	**83,776**	**239,203**
Change in the scope of consolidation	90,162	75,290	165,452
Additions	11,717		11,717
Costs of acquisition as of 31/12/2017	**257,306**	**159,066**	**416,372**
Depreciation/impairment as of 31/12/2015	**29,409**	**26,519**	**55,928**
Scheduled amortisation	10,753		10,753
Disposal	–232		–232
Depreciation/impairment as of 31/12/2016	**39,930**	**26,519**	**66,449**
Scheduled amortisation	13,855		13,855
Depreciation/impairment as of 31/12/2017	**53,785**	**26,519**	**80,304**
Currency differences	–7,018	–6,647	–13,665
Book value as of 31/12/2016	**116,387**	**57,257**	**173,644**
Book value as of 31/12/2017	**196,503**	**125,900**	**322,403**

The increase in "Other intangible assets" is essentially based on the recognition of customer relationships from the purchase price allocation for the new companies consolidated during the year under review.

With regard to further disclosures regarding the change in the scope of consolidation, reference is made to note 5.

Annual impairment test as of 30 September 2017
The impairment test is based on medium-term planning for the cash generating units (CGU). In 2015, the CGU were defined as a business segment for the first time so that the respective trading and clearing portion is allocated to the asset classes. Subsidiaries which are not planned within the business segments and which largely operate independently are exempt from this for the initial period after their acquisition. These cash flows, which are forecast on an annual basis, are discounted.

For current planning, a growth rate of –1 to +2% was used. The rate of the weighted average cost of capital (WACC), which reflects the capital market's required rate of return for the provision of borrowed capital and equity for EEX, is used for the purpose of discounting cash flows. The rate used for the weighted average costs of capital for the calculation of the recoverable amount is 5–6% depending on the segment.

In all cases, the calculation resulted in a fair value less costs of disposal which was above the book values of the cash generating units.

Sensitivity of the planning assumptions
A sensitivity analysis was carried out for the CGUs which contain goodwill. An analysis was conducted to ascertain the degree to which sales revenue may decline.

In all cases, the declines in sales revenue calculated are far beyond any scenario which can be regarded as realistic at present.

18. Property, plant and equipment

During the year under review, property, plant and equipment developed as follows:

k€	Leasehold improvements	Computer hardware, fixtures and furnishings	Total
Costs of acquisition as of 31 December 2015	**2,387**	**8,292**	**10,679**
Change in scope of consolidation	0	3	3
Additions	0	1,035	1,035
Disposals	–127	0	–127
Costs of acquisition as of 31 December 2016	**2,260**	**9,330**	**11,590**
Change in scope of consolidation	28	146	174
Additions	80	1,009	1,089
Costs of acquisition as of 31 December 2017	**2,368**	**10,485**	**12,853**
Depreciation/ impairment as of 31 December 2015	**1,575**	**4,698**	**6,273**
Scheduled depreciation	193	1,386	1,579
Depreciation/impairment as of 31 December 2016	**1,768**	**6,084**	**7,852**
Scheduled depreciation	126	1,471	1,597
Depreciation/Impairment as of 31 December 2017	**1,894**	**7,555**	**9,449**
Currency differences	–1	–19	–20
Book value as of 31 December 2016	**492**	**3,239**	**3,731**
Book value as of 31 December 2017	**473**	**2,911**	**3,384**

19. Investment in associates and joint ventures, other equity investments as well as other financial assets

Associates and equity investments on the reporting date were as follows:

	Associates	Equity investment
	SEEPEX AD	store-x Storage Capacity Exchange GmbH i.L.
Registered office	Serbia Belgrade	Germany Leipzig
Initial recognition in the balance sheet	2015	2008
Share in capital as of 31 December 2016 in %	12	12
Share in capital as of 31 December 2017 in %	12	12
Nominal capital in k€	500	200
Inclusion	at equity	Acquisition cost

The book values developed as shown in the table below:

k€	Associates	Other equity investments
Costs of acquisition as of 31/12/2015	**977**	**203**
Change in scope of consolidation	–600	–50
Addition	56	0
Disposal	–404	0
Costs of acquisition as of 31/12/2016	**29**	**153**
Change in scope of consolidation	0	0
Addition	56	0
Disposal	0	0
Costs of acquisition as of 31/12/2017	**85**	**153**
Revaluation as of 31/12/2015	**46**	**0**
Dividend payment	–52	0
Result of at-equity valuation	8	0
Impairment	0	–129
Revaluation as of 31/12/2016	**2**	**–129**
Dividend payment	0	0
Result of at-equity valuation	–27	0
Impairment	0	0
Revaluation as of 31/12/2017	**–25**	**–129**
Book value as of 31/12/2016	**31**	**24**
Book value as of 31/12/2017	**60**	**24**

20. Derivative financial instruments

This item comprises the fair value of options, which is determined on the basis of the current exchange price of open positions.

On account of ECC's function as the central counterparty, accounts receivable and accounts payable are recorded on the asset side and on the liabilities side at the same amount of kEUR 19,230 (2016: kEUR 41,957). Options with a total value of kEUR 6,806 included in this will mature within one year.

21. Trade receivables

k€	31/12/2017	31/12/2016
Accounts receivable	377,893	376,838
Less specific individual bad debt allowance	–6	–180
Trade receivables	**377,887**	**376,658**

k€	2017	2016
Initial amount of the specific allowance as of 1 January	**180**	**307**
Change in scope of consolidation	0	0
Addition	6	10
Utilisation of allowance	–173	–5
Reversal	–7	–128
Currency conversion	0	–4
Final amount of the specific allowance as of 31 December	**6**	**180**

Trade receivables essentially comprise sales on the power and gas spot markets which are high due to the reporting date, in addition to trading and clearing fees.

As in the previous year, there were no accounts receivable for sales and services with a remaining term of more than one year.

22. Other assets and tax refund claims

k€	31/12/2017	31/12/2016
Accounts receivable from tax authorities regarding sales tax	1,313	5,242
Accruals for system changes	2,990	2,393
Accruals and deferrals	2,766	2,377
Tax refund claims	736	151
Other	3,973	3,819
Total	**11,777**	**13,981**

The other assets and tax refund claims are short term.

23. Accounts receivable from associates

There are accounts receivable from SEEPEX AD, which are explained under note 39.

24. Restricted bank balances

The restricted bank balances of kEUR 2,656,060 (2016: kEUR 2,973,739) concern in particular collaterals which have been paid by clearing members for the spot and derivatives markets in the form of cash collaterals. These are shown as a liability of the same amount.

This item also contains own contributions to the clearing fund by ECC AG in an amount of 10 million EUR and by Nodal Clear in an amount of 20 million USD (16.7 million EUR).

25. Other cash and bank balances

As of the reporting date, the Group had cash and cash equivalents of kEUR 134,271 (2016: kEUR 127,115).

26. Equity

Changes in equity items are shown in the consolidated statement of changes in equity.

On 16 December 2016 the extraordinary general meeting of EEX decided to increase the ordinary share capital of EEX of 40,050,000 € by 20,025,000 € against payment in cash to 60,075,000 €. In the 2017 financial year the capital increase was executed against the issuance of 20,025,000 new registered no-par shares as preference shares without voting rights.

After recording the capital increase in the company register on 10 February 2017 together with the related amendment to the articles of association, the ordinary share capital of EEX now amounts to 60,075,000 €, divided into 40,050,000 registered no-par shares with voting rights (“common shares”) and

20,025,000 registered no-par shares without voting rights (“preference shares”).

EEX AG sold the treasury shares held by itself in 2017.

After these capital measures the capital reserve amounts to kEUR 145,458.

In the 2017 financial year, kEUR 10,814 was paid out to the shareholders of EEX.

The item non-controlling interests show the shares of minority shareholders of EPEX Group, PEGAS CEGH Gas Exchanges Services GmbH (PCG) and Power Exchange Central Europe a.s. (PXE). The change compared to the previous year can be explained by dividend payments to minority shareholders and by the changed scope of consolidation (see note no. 5 and statement of changes in equity).

27. Non-current provisions

Non-current provisions comprise provisions for pensions, archiving and the removal of installations with a term of more than one year. These developed as follows during the financial year under review:

k€	Pension provisions	Other non-current provisions
As of 01/01/2016	**422**	**1,532**
Change in scope of consolidation	0	73
Utilisation	0	–4
Reversal	0	–77
Compounding	0	35
Addition	264	417
Transfer	0	–660
Deduction plan assets	–697	0
As of 31/12/2016	**–11**	**1,316**
Utilisation	0	–42
Compounding	5	14
Addition	16	650
Transfer	0	–718
Currency conversion	0	4
Deduction plan assets	–17	0
As of 31/12/2016	**–7**	**1,224**

There are pension provisions for a former employee in Germany and, in total, 143 employees in France. As of 31 December 2017, actuary reports under IFRS were available stating a discount rate of 1.65% (2016: 1.0%).

The amount of the provision for another employee is based on the asset value of the reinsurance contract.

The dominant share of non-current provisions has an estimated pay-out after more than five years.

28. Long-term liabilities

In June 2017, the EEX Group concluded an agreement with LCH Ltd., London, Great Britain regarding the transfer of open positions in freight FFA-contracts and options to the clearing house ECC. The contract between EEX and LCH contains a revenue-related consideration in form of a progressive share of LCH in net revenues of the EEX Group for the asset class “dry bulk freight” after the transfer date until 31 December 2020.

This contingent purchase price obligation was recognised at fair value and is shown together with a purchase price liability to former Cleartrade shareholders under this balance sheet item.

29. Current provisions

Current provisions developed as follows during the financial year under review:

k€	2017	2016
As of 01/01/	**11,966**	**9,634**
Change in scope of consolidation	281	91
Utilisation	−10,807	−6,443
Reversal	−563	−1,100
Addition	9,088	8,691
Transfer	731	1,099
Currency adjustment	−30	−6
As of 31/12/	**10,666**	**11,966**

The provisions primarily concern legal risks and bonuses for employees and members of the Management Board.

Liabilities to employees for vacation days not yet taken which were shown under this item in previous year were reclassified into other current liabilities in 2017. For better comparability previous year figures were restated accordingly.

30. Trade payables

As of the reporting date, there were trade payables in an amount of kEUR 394,454 (2016: kEUR 359,459). As in the case of the trade receivables, these trade payables primarily include high liabilities from spot market sales in power and gas on account of the reporting date.

There were no trade payables with a remaining term of more than one year as of 31 December 2017, as in the previous year.

31. Cash deposits by trading participants

The amount of cash deposits by trading participants corresponds to the restricted bank balances. As of the balance sheet date, these amounted to kEUR 2,656,060 (2016: kEUR 2,973,739).

32. Other current liabilities

Other current liabilities comprise the following items:

k€	2017	2016
Liabilities to staff	6,284	11,961
Tax liabilities	2,385	3,387
Payments received on account	0	776
Supervisory Board remuneration	331	401
Other liabilities	1,489	1,282
Total	**10,489**	**17,807**

All other liabilities are short-term.

Since the current financial year, liabilities to staff have included liabilities for vacation days not yet taken. The presentation of previous year figures was restated accordingly.

Notes on the Consolidated Statement of Cash Flows

33. Notes on the consolidated statement of cash flows

The statement of cash flows indicates the balance and the development of the cash and cash equivalents of the Group. The statement of cash flows differentiates cash flows from operating activities, investing and financing activities.

Cash and cash equivalents comprise the cash assets and bank deposits with a term of less than three months reduced by short-term liabilities to banks from overdraft facilities.

Restricted bank balances - the cash deposits by market participants - are not part of cash and cash equivalents.

k€	2017	2016
Other cash and bank balances	134,271	127,115
Less liabilities to banks	7,000	17
Cash and cash equivalent	**127,271**	**127,097**

Cash flow from operating activities
Cash flow from operating activities is determined using the indirect method. In this process, the annual net profit in an amount of kEUR 53,866 is adjusted for non-cash expenses which amount to kEUR 8,975 in the reporting year.

This results in a cash flow from operating activities of kEUR 44,971 (2016: kEUR 92,951).

Cash flow from investing activities
The cash flow from investing activities shows payments made for investments in fixed assets, less dividends received.

In the 2017 financial year, it amounted to kEUR –228,204 (2016: kEUR –23,871) and mainly consisted of payments for the acquisition of shares in consolidated subsidiaries (see explanations under note 5).

Cash flow from financing activities
In addition to distributions of profits to shareholders of EEX AG and minority shareholders, cash flow from financing activities also includes the inflow of funds from short-term financing.
In 2017 it amounted to kEUR 169,604 (2016: kEUR –24,811) mainly as a result of the capital increase in cash.

Other notes

34. Classification of financial instruments in accordance with IFRS 7

ASSETS as of 31 December 2016

	Amortised acquisition costs		**Fair value**				**Total**	
Valuation category	Other accounts receivable		Financial assets recognised at fair value through profit or loss (FVTPL)					
			Trading (HFT)		Fair value option			
Classes of financial instruments	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
Other equity investments	24	24					24	24
Derivative financial instruments			41,957	41,957			41,957	41,957
Trade receivables	376,658	376,658					376,658	376,658
Other assets	13,831	13,831					13,831	13,831
Tax refund claims	151	151					151	151
Accounts receivable from associates	313	313					313	313
Restricted bank balances	2,973,739	2,973,739					2,973,739	2,973,739
Other cash and bank balances	127,115	127,115					127,115	127,115
Total	**3,491,831**	**3,491,831**	**41,957**	**41,957**	**0**	**0**	**3,533,788**	**3,533,788**

ASSETS as of 31 December 2017

	Amortised acquisition costs		**Fair value**				**Total**	
Valuation category	Other accounts receivable		Financial assets recognised at fair value through profit or loss (FVTPL)					
			Trading (HFT)		Fair value option			
Classes of financial instruments	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
Other equity investments	24	24					24	24
Derivative financial instruments			19,230	19,230			19,230	19,230
Trade receivables	377,887	377,887					377,887	377,887
Other assets	11,041	11,041					11,041	11,041
Tax refund claims	736	736					736	736
Accounts receivable from associates	101	101					101	101
Restricted bank balances	2,682,771	2,682,771					2,682,771	2,682,771
Other cash and bank balances	134,271	134,271					134,271	134,271
Total	**3,206,832**	**3,206,832**	**19,230**	**19,230**	**0**	**0**	**3,226,061**	**3,226,061**

LIABILITIES as of 31 December 2016

	Amortised acquisition costs		**Fair value**				**Total**	
Valuation category	Other liabilities		Financial assets recognised at fair value through profit or loss (FVTPL)					
			Trading (HFT)		Fair value option			
Classes of financial instruments	Book value	Fair value	Book value	Book value	Fair value	Book value	Book value	Fair value
Non-current provisions	1,316	1,316					1,316	1,316
Derivative financial instruments			41,957	41,957			41,957	41,957
Non-current liabilities	219	219					219	219
Current provisions	13,609	13,609	65	65			13,674	13,674
Other bank loans and overdrafts	17	17					17	17
Trade payables	359,459	359,459					359,459	359,459
Liabilities to affiliated companies	0	0					0	0
Cash deposits by market participants	2,973,739	2,973,739					2,973,739	2,973,739
Other current liabilities	16,099	16,099					16,099	16,099
Total	**3,364,459**	**3,364,459**	**42,022**	**42,022**	**0**	**0**	**3,406,481**	**3,406,481**

LIABILITIES as of 31 December 2017

	Amortised acquisition costs		**Fair value**				**Total**	
Valuation category	Other liabilities		Financial assets recognised at fair value through profit or loss (FVTPL)					
			Trading (HFT)		Fair value option			
Classes of financial instruments	Book value	Fair value	Book value	Book value	Fair value	Book value	Book value	Fair value
Non-current provisions	1,217	1,217					1,217	1,217
Derivative financial instruments			19,230	19,230			19,230	19,230
Non-current liabilities	794	794					794	794
Current provisions	10,542	10,542	124	124			10,666	10,666
Other bank loans and overdrafts	7,000	7,000					7,000	7,000
Trade payables	364,403	364,403					364,403	364,403
Liabilities to affiliated companies	30,051	30,051					30,051	30,051
Cash deposits by market participants	2,656,060	2,656,060					2,656,060	2,656,060
Other current liabilities	10,489	10,489					10,489	10,489
Total	**3,080,555**	**3,080,555**	**19,354**	**19,354**	**0**	**0**	**3,099,909**	**3,099,909**

Other cash and bank balances as well as trade receivables are short-term. Their book values are approximately equal to the fair value on the reporting date.

Financial assets and liabilities which are recognised at fair value have to be assigned to the following three hierarchy levels:

Financial assets and liabilities have to be assigned to level 1 if there is an exchange price available for identical assets and debts on an active market.

Assets and liabilities are assigned to level 2 if the parameters which are used as the basis for the measurement of the fair value are derived either directly as prices or indirectly from observable prices.

Financial assets and liabilities are assigned to level 3 if the fair value is derived from non-observable parameters.

The balance sheet value of derivative financial instruments is measured at the price on the reporting date and, hence, has to be allocated to level 1 of the fair value hierarchy.

During the previous financial year, the valuation category “Loans and receivables” generated interest income of kEUR 330 (2016: kEUR 640). Furthermore, accounts receivable in an amount of kEUR 10 (2016: kEUR 10) were impaired in the period under review.

The following table shows the age structure of the valuation categories:

k€		Daily		Not more than 1 year		More than 1 year, not more than 5 years	
	Consolidated Financial Statements	2017	2016	2017	2016	2017	2016
Trade receivables: from associates, from companies in which participating interests are held and other current assets	[19–21]	344,123	341,580	44,906	49,373	0	0
Restricted bank balances	[22]	2,682,771	2,973,739	0	0	0	0
Other cash and bank balances	[23]	123,553	116,432	10,718	10,683	0	0
Non-derivative financial assets		**3,150,447**	**3,431,751**	**55,624**	**60,056**	**0**	**0**
Non-current liabilities	[30]					794	219
Other bank loans and overdrafts		7,000	17	0	0	0	0
Trade payables: to associates, to companies in which participating interests are held and other current liabilities	[32], [34]	344,123	341,580	60,820	33,979	0	0
Cash deposits by market participants	[33]	2,656,060	2,973,739	0	0	0	0
Non-derivative financial liabilities		**3,007,184**	**3,315,336**	**60,820**	**33,979**	**794**	**219**
Financial assets and derivatives	[18]	0	0	6,806	10,569	12,424	31,388
Financial liabilities and derivatives	[18]	0	0	6,806	10,569	12,424	31,388

35. Financial risk and capital management

In accordance with the requirements defined in section 91 subsection 2 AktG [German Companies Act], the EEX Group has a risk early warning system covering all business areas. This is intended to identify and address risks early on.

The Chief Risk Officer (CRO) of EEX AG is in charge of designing the EEX Group's risk early warning system. The individual group companies are largely responsible for risk management on their own. With respect to risks requiring group coordination, minimum standards are specified by EEX's Management Board for all group companies. Depending on their size, the individual group companies have their own risk management unit for this purpose. The group companies report to EEX's risk management on a monthly basis.

Counterparty risk, market price risk, liquidity risk, operational risk as well as business and compliance risk constitute potential risk categories.

For a detailed description of risk management within the EEX Group, reference is made to the explanations in the management report.

36. Treasury shares

EEX AG sold the treasury shares held by itself in 2017.

37. Other financial liabilities and contingent liabilities

Other financial liabilities of the Group comprise future payment obligations under operating leases. These are structured as follows:

31.12.2016

k€

Leased item	Up to 1 year	1 to 5 years	More than 5 years
Systems/maintenance/infrastructure	15,936	17,118	4,991
Rent	2,948	5,724	4,833
Motor vehicles	437	254	80
Others	3,063	1,387	341
Total	**22,384**	**24,483**	**10,245**

31.12.2017

k€

Leased item	Up to 1 year	1 to 5 years	More than 5 years
Systems/maintenance/infrastructure	16,576	16,916	6,555
Rent	3,497	8,089	4,741
Motor vehicles	388	150	0
Others	2,213	1,846	341
Total	**22,674**	**27,000**	**11,637**

38. Auditor fees according to Sec. 314 No. 9 HGB [German Commercial Code]

k€	2017	2016
Year-end audit	603	394
Tax advisory services	116	0
Other auditing services	5	51
Others	36	59
Total	**761**	**505**

39. Related party disclosures

According to IAS 24, those persons and companies, who or which control the Group or exercise significant influence over it or who or which are controlled by the Group or over which the Group exercises significant influence, are considered related parties and companies.

Accordingly, members of the Management Board and the Supervisory Board, shareholders holding an interest of more than 20% as well as the subsidiaries, associates and joint ventures are defined as related parties and companies.

Business transactions with related companies and parties are concluded according to the arm's length principle.

RELATIONSHIPS WITH RELATED PERSONS

Management Board

Peter Reitz (Chief Executive Officer), Leipzig	**Dr Dr Tobias Paulun,** Leipzig
Jean-François Conil-Lacoste, Paris/France	**Dr Thomas Siegl,** Eschborn
Steffen Köhler, Oberursel	**Iris Weidinger,** Markkleeberg
Dr Egbert Laege, Gröbenzell	

Supervisory Board

Dr Jürgen Kroneberg (Chairman) Lawyer, Kampen (Sylt)	**Xavier Lafontaine** (from 8 June 2017) Head of Strategic Partnerships, Électricité de France SA, Paris/France
Jürg Spillmann (Vice-Chairman) Member of the Executive Board, Eurex Zürich AG, Zurich/Switzerland	**Michael Lockett** Director of Power Dispatch & Real-Time Trading, Uniper Global Commodities SE, Düsseldorf
Hans E. Schweickardt (Vice-Chairman) Chairman of the Supervisory Board, Polenergia Holding S.àr.l., Warsaw/Poland	**Katja Mayer** Managing Partner, KM Networks GmbH, Hofheim
Dr Hartmut Mangold (Vice-Chairman) Secretary of State, Saxon State Ministry for Economic Affairs, Labour and Transport, Dresden	**Prof. Harald R. Pfab** Managing Director, HHP Beratung GmbH, Fronreute
Dr Hans-Joachim Arnold (until 8 June 2017) Head Legal/Compliance, innogy SE, Essen	**Andreas Preuß** Deputy Chief Executive Officer, Deutsche Börse AG, Eschborn
Dr Dirk Biermann Managing Director, 50Hertz Transmission GmbH, Berlin	**Dr Michael Redanz** Managing Director, EWE Trading GmbH, Bremen
Heike Eckert Member of the Management Board, Eurex Clearing AG, Eschborn	**Klaus Rohatsch** (until 8 June 2017) Member of the Management Team, EDF SA, Cattenom/France
Dr Nigel Hawkins Head of Power & Fuel Portfolio Management, Enel Trade S.p.A., Rome/Italy	**Uwe Schweickert** Managing Director Market Operations & Executive Office, Deutsche Börse AG, Eschborn
Ulf Heitmüller (until 8 June 2017) Chairman of the Executive Board, VNG – Verbundnetz Gas Aktiengesellschaft, Leipzig	**Marco Steeg** Head of Financial Accounting & Controlling, Deutsche Börse AG, Eschborn
Peter Heydecker (from 8 June 2017) Executive Director Trading, EnBW Energie Baden-Württemberg AG, Karlsruhe	**Vincent van Lith** (from 8 June 2017) Executive Director, ABN AMRO Bank N.V., Frankfurt/Main
Burkhard Jung Mayor of the City of Leipzig, Leipzig	

The members of the Supervisory Board of EEX received remunerations of kEUR 327 for their work during the financial year. The payment will be made in 2018.

RELATIONSHIPS WITH RELATED ENTITIES

On 31 December 2017, Eurex Zürich AG with registered offices in Zurich, Switzerland, held 75.05% of the shares in EEX (2016: 62.91%) after sale of the treasury shares held by EEX in the year under review.

Transactions with companies belonging to Deutsche Börse Group are as follows:

k€	2017	2016
Deutsche Börse Group		
EEX Group as the recipient of services		
Provision of trading system & IT infrastructure	7,772	7,471
Provision of services	2,123	1,331
Financial services	51	0
EEX Group as the provider of services		
Provision of market data	–403	–275
Receivable as of 31 December	172	117
Liability as of 31 December	4,430	2,426
Financial liability as of 31 December	30,051	0

Relationships with unconsolidated companies, associates and joint ventures

k€	2017	2016
SEEPEX AD		
EEX Group as the provider of services		
Provision of services	–186	–276
Receivable as of 31 December	101	313

Representatives of the board of directors of Powernext hold concurrent key positions at the companies GRTgaz, Bois-Colombes, France, parent company of 3GRT, Tarascon, France, and EDV Developpement Environnement SA, Courbevoie, France. In the 2017 financial year, Powernext provided services in the context of the development and maintenance of individual software solutions for market coupling and balancing and of an electronic trading platform for 3GRT. In the context of these services, revenue of kEUR 613 was generated in 2017.

40. Overview of shareholdings on reporting date according to section 313 subsection 2 Nos 1 to 4 HGB [German Commercial Code]

Company	Headquarters	Share in capital directly (indirectly) 31/12/2017
Fully consolidated subsidiaries		
Agricultural Commodity Exchange GmbH	Germany	100%
APX Commodities Ltd. in liquidation	Great Britain	(51%)
APX Shipping B.V. in liquidation	Netherlands	100%
Cleartrade Exchange Pte Ltd	Singapore	100%
EEX Link GmbH	Germany	100%
EEX Power Derivatives GmbH	Germany	100%
EPEX SPOT Belgium SA	Belgium	(51%)
EPEX SPOT Schweiz AG	Switzerland	(51%)
EPEX SPOT SE	France	(51%)
European Commodity Clearing AG	Germany	100%
European Commodity Clearing Luxembourg S.à r.l.	Luxembourg	100%
Gaspoint Nordic A/S	Denmark	(100%)
Global Environmental Exchange GmbH	Germany	100%
JV Epex-Soops B.V.	Netherlands	(31%)
Nodal Exchange Holdings, LLC	USA	100%
Nodal Exchange, LLC	USA	(100%)
Nodal Clear, LLC	USA	(100%)
PEGAS CEGH Gas Exchange Services GmbH	Austria	(51%)
Power Exchange Central Europe a.s.	Czech Republic	67%
Powernext SAS	France	100%
Joint venture and associates accounted at equity		
SEEPEX AD	Serbia	(12%)
Other equity investments		
store-x Storage Capacity Exchange GmbH in liquidation	Germany	12%

41. Waiver according to section 264 subsection 3 HGB and section 264b HGB [German Commercial Code]

In accordance with section 264 subsection 3 or section 264b HGB, the option of waiving the obligation to prepare annual financial statements and a management report in accordance with the provisions for corporations, to have them audited and to disclose them was used for the subsidiary:

- EEX Power Derivatives GmbH, Leipzig

42. Significant events after the reporting date

There were no significant events after the reporting date.

Leipzig, 2 March 2018

Peter Reitz
Chief Executive Officer (CEO)

Jean-François Conil-Lacoste
Executive Director Power Spot Markets

Steffen Köhler
Chief Operating Officer (COO)

Dr Egbert Laege
Executive Director Gas Markets

Dr Dr Tobias Paulun
Chief Strategy Officer (CSO)

Dr Thomas Siegl
Chief Risk Officer (CRO)

Iris Weidinger
Chief Financial Officer (CFO)

Audit Report

KPMG

„We have audited the consolidated financial statements prepared by the European Energy Exchange AG, Leipzig, comprising the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes on the consolidated financial statements and its combined management report for the business year from January 1, 2017 to December 31, 2017. The preparation of the consolidated financial statements and the combined management report in accordance with IFRS, as adopted in the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [Handelsgesetzbuch "German Commercial Code"] are the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with [German] principles of proper accounting and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted in the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined management report is consistent with the consolidated financial statements, complies with the German statutory requirements, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Frankfurt/Main, March 2, 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft

Hommel	**Dielehner**
Auditor	Auditor

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