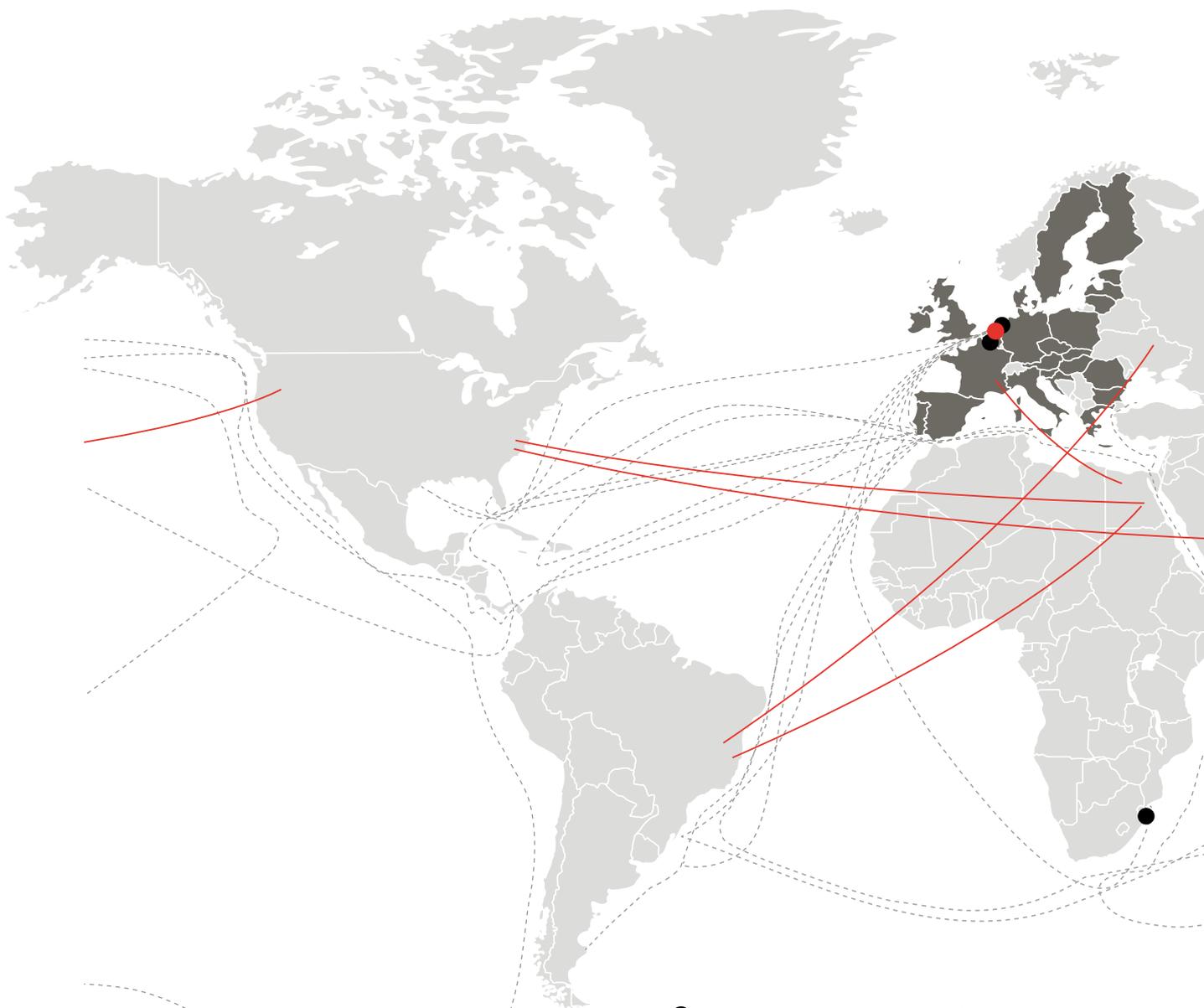


Visions

FOR SUSTAINABLE GROWTH



MARKETS AND PRODUCTS OF EEX GROUP



Freight

Dry Bulk Shipping Routes



Oil

Fuel Oil Hubs:
Singapore and Rotterdam



Fertiliser

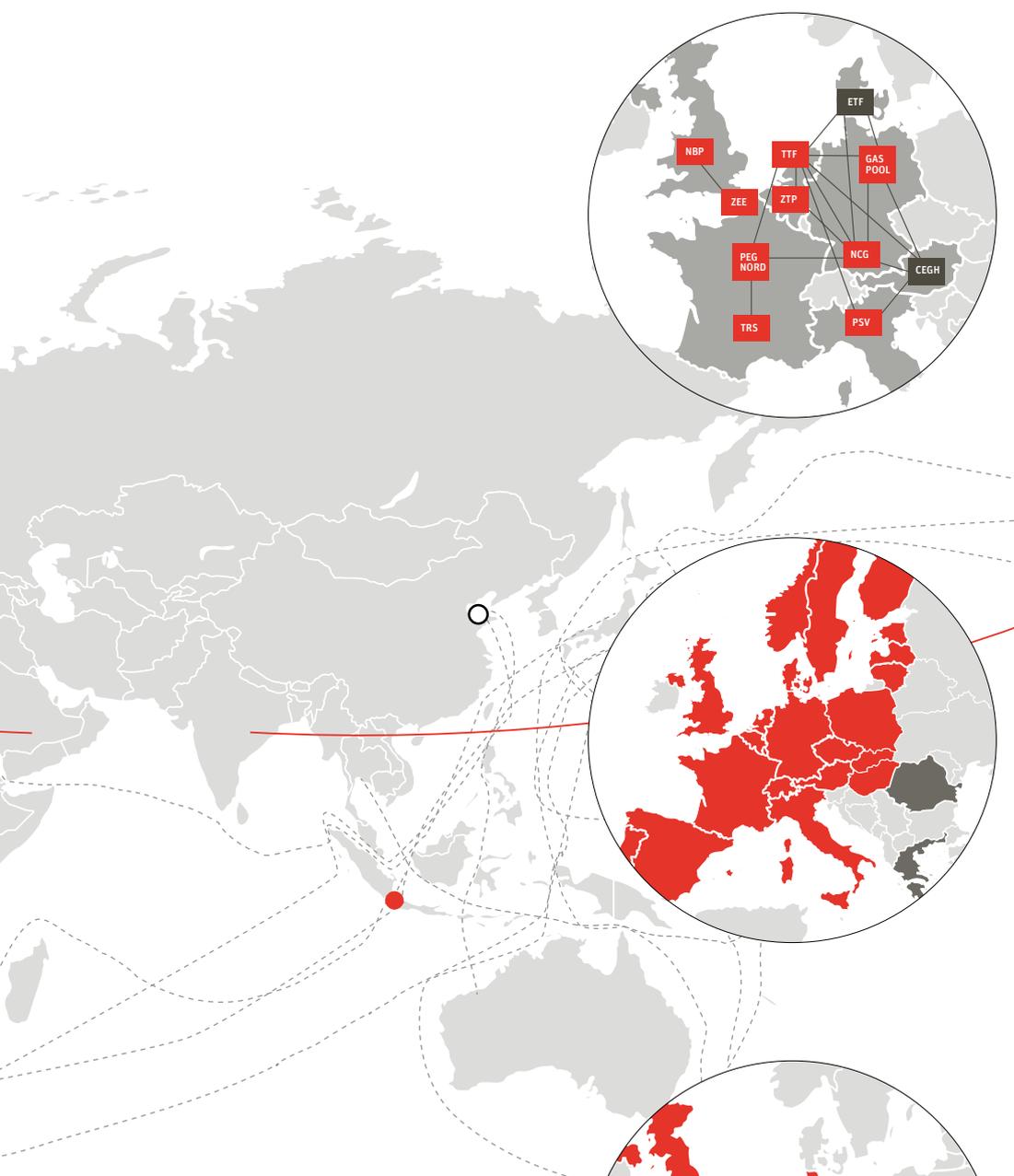
Fertiliser DAP
and Urea contracts



Coal

Delivery Points:
Amsterdam, Rotterdam,
Antwerp, Richards Bay





Natural Gas

- Location spreads
- Natural Gas hubs
- New Natural Gas hubs



Power Derivates

- Exchange-traded Power Futures
- Trade Registration Services for Power Futures



Power Spot

- Germany / Austria / Luxembourg
- France
- United Kingdom
- The Netherlands
- Belgium
- Switzerland
- Market Operations for Hungarian Power Exchange HUPX
- Market operation services for the Serbian power exchange SEEPEX



Metals

- Iron Ore Tjanjin
- European steel contracts



Emission Allowances

- EUA Primary Market Auctions for 25 EU member states as well as Germany and Poland

KEY DATA

| | | 2016 | 2015 | Change % |
|--|-----------|-----------|-----------|----------|
| Profit and loss account | | | | |
| Sales revenue | kEUR | 234,158 | 190,424 | +23 |
| Earnings before interest, taxes, depreciation and amortisation (EBITDA) ¹ | kEUR | 99,460 | 70,316 | +41 |
| Earnings before interest and taxes (EBIT) ¹ | kEUR | 87,129 | 49,380 | +76 |
| Earnings before taxes (EBT) | kEUR | 87,629 | 99,461 | -12 |
| Earnings before taxes (EBT)–2015 adjusted | kEUR | 87,629 | 49,737 | +76 |
| Balance sheet (as of 31 December) | | | | |
| Non-current assets | kEUR | 218,862 | 185,441 | +18 |
| Equity | kEUR | 283,846 | 244,323 | +16 |
| Balance sheet total | kEUR | 3,721,238 | 1,922,537 | +94 |
| Core business parameters | | | | |
| Spot market | | | | |
| Power spot market volume ² | TWh | 535 | 524 | +2 |
| Emissions spot market volume | mt* | 691 | 613 | +13 |
| Gas spot market volume ³ | TWh | 666 | 458 | +45 |
| Derivatives market | | | | |
| Power derivatives market volume | TWh | 3,920 | 2,537 | +55 |
| Emissions derivatives market volume | mt* | 258 | 65 | +299 |
| Gas derivatives market volume ³ | TWh | 1,091 | 584 | +87 |
| Agriculturals derivatives market volume ⁵ | Contracts | 55,838 | 36,564 | +53 |
| Freight derivatives market volume—futures and options | kd** | 438 | 449 | -3 |
| Company parameters | | | | |
| Trading participants | | 555 | 461 | +120 |
| Employees (balance sheet date) | | 453 | 421 | +8 |
| Sales revenue per employee | kEUR | 517 | 452 | +14 |
| Return on equity ⁶ | % | 36 | 22 | +65 |
| Equity ratio, adjusted ⁷ | % | 75 | 70 | +8 |

* Million tonnes

** Thousand days

¹ 2015 EBIT and EBITDA adjusted because of a reclassification in the 2016 profit and loss account

² Trade volumes, including APX volumes from 4 May 2015, SEEPEX volumes from 17 February 2016 and PXE volumes from June 2016 onwards

³ PEGAS trade volumes, including Gaspoint Nordic and PXE volumes from June 2016, CEGH from December 2016 onwards

⁴ Trade volumes, including PXE volumes, from June 2016

⁵ Trade volumes from 11 May 2015, excluding fertilisers

⁶ 2015 EBT adjusted for one-off effects caused by the acquisition; equity as at the beginning of the period

⁷ Equity as at the balance sheet date/adjusted balance sheet total (adjusted for cash collateral of the Clearing Members, derivative financial instruments, payments made and received on account as of the balance sheet date and trade payables and receivables as of the balance sheet date)



What began as the vision of two power exchanges in 2000 has evolved into the leading energy exchange in continental Europe: the European Energy Exchange.

Even 16 years later, a shared vision promotes the development of EEX Group. New markets and a dynamic market environment offer challenges and opportunities which have to be used to ensure that EEX can position itself as a global market leader in the long term.

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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.

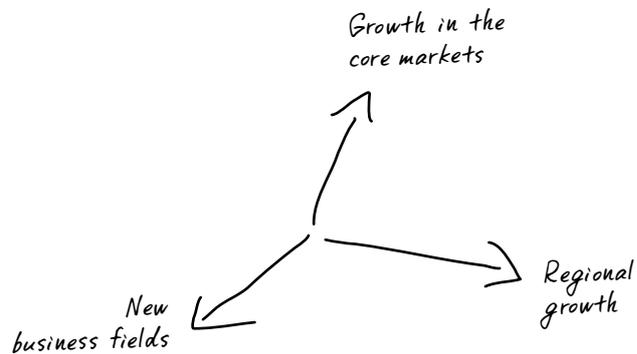
From 2000 to 2001, he worked at Dow Jones Indexes in New York before he became a Management Board member of the Eurex derivatives exchange.

*Dear readers,
Dear shareholders, employees and friends of EEX,*

We look back on 2016 as an extraordinarily successful financial year. We were again able to reach new records for all the important parameters, such as trading volume, sales revenue and earnings before taxes. In 2016, EEX Group sales revenue rose by 23% to EUR 234.2 million. Furthermore, with regards to the earnings before taxes, we recorded an increase of 76% to EUR 87.6 million.

Our core markets of power and gas, in which new trading records were achieved, accounted for the biggest share in this success. Within the power segment, a volume of 4,456 TWh was achieved (+46% as against the previous year), while the volume traded in natural gas rose to 1,756 TWh (+69% as against the previous year). Regarding the trading in emission allowances, we have also improved our market position with trading turnover increasing to 950 million tonnes of CO₂ which represents a 40% increase compared to the previous year. Furthermore, we were also pleased about the excellent development of our numerous new markets. Therefore, I would like to take this opportunity to invite you to take a look at the next section, in which we will take an in-depth look at the development of, and our visions for, the “new” EEX Group markets.

Our successes confirm our strategy based on growth in three dimensions: growth on the core markets, expansion of our geographic reach and entry into new business fields. We have made progress in all three fields, strengthened our competitive position and, yet again, moved closer to our long-term goal of developing EEX Group into a global commodity exchange. In addition to our organic growth in the core markets—primarily through the expansion of the product range—we were able to further increase our reach, specifically through acquisitions on the European power and gas markets. Since June, the Prague-based Power Exchange Central Europe (PXE) has been a member of EEX Group. With its power derivatives markets in the Czech Republic, Slovakia, Hungary, Poland and Romania, it supplements the existing EEX Derivatives Markets for eleven market areas in Central and Western Europe. As a result, PXE provides the EEX Group with access to new markets and the potential for growth in



Eastern Europe. On the gas markets, we have supplemented trading on the PEGAS platform with Danish and Austrian products. In addition, our subsidiary Powernext increased its shareholding in Gaspoint Nordic from 50 to 100%. In 2016, we expanded the cooperation with the Central European Gas Hub (CEGH) with which we have co-operated in clearing for several years and integrated the Austrian gas exchange products of CEGH into PEGAS.

Furthermore, in 2016, we were also successful in our new business fields which supplement our energy offerings. Within the Agricultural Index Contracts segment, we generated significant growth, particularly on the dairy derivatives market. Our subsidiary Cleartrade Exchange (CLTX) which constitutes our access point to globally traded commodity products and to the Asian market was also able to increase volumes, in particular, on the marine diesel and iron ore markets.

Of course, we are pleased about the very successful last year and are proud of our achievements. However, we are also aware of our responsibility as an exchange operator with a public service mandate for our markets. As a corporate group, we are united by the values for which we stand: customer orientation, entrepreneurship and respect. We place our customers at the centre of our activities and develop fitting solutions for the diverse challenges they face. We think ahead and consider what design tomorrow's markets might have and how we can contribute to them. This does not only apply to trading and the corresponding products, but also to all the associated services—with clearing playing a special role in this. By now, our clearing subsidiary ECC has been a reliable partner for the market for more than ten years. ECC does not only ensure the highest possible level of security in trading but through its extensive network of partner exchanges and integrated markets, it also creates a significant additional value for our customers.

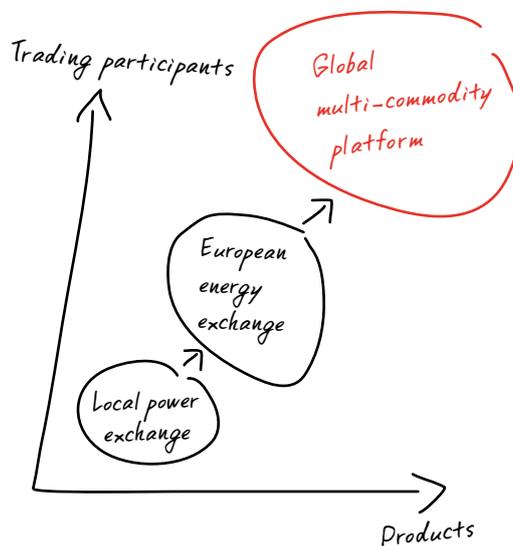
The energy markets, in particular, are undergoing profound change—and our customers are at the heart of this process. The transformation process of the German “Energiewende” and the expansion of renewable energies are having a profound

impact on the energy world. Digitalisation, decarbonisation and decentralisation are certainly more than buzzwords in this respect. The potential that these entail will certainly bring change to the markets, creating new risks and opportunities, including for trading.

This motivates us to provide close-knit support to the markets on which we actively operate. We want to be a partner in the truest sense of the word and to help to shape the transformation. For example, this includes us developing new products for the energy market of the future which will help the market participants to better manage their risks. Following the Cap Future, which we introduced in 2015, we launched the Wind Power Future—a second innovative energy turnaround product on the Power Derivatives Market—last autumn. Moreover, our commitment in emissions trading, which we consider to be a fundamental contribution to global climate protection, is yet another example of this. In this sense, the confirmation of EEX as the European auction platform for the auctioning of emission allowances for another five years is certainly a positive sign, in addition to the success of the world climate conference in Paris 2015.

We are on the right track and will continue to strengthen the EEX core business. This includes, first and foremost, the European power and gas markets. However, we see long-term potential for growth even beyond Europe. Sooner or later, renewable energy sources will also be signifi-

cantly expanded in other parts of the world—and this process will be accompanied by system transformations. Even if power per se cannot become a globally tradable commodity, our experience and ideas can certainly be exported. In the field of gas, it remains to be seen whether a global market will in fact actually evolve. There is certainly potential for such a development in the case of liquefied natural gas (LNG). In order to operate globally and expand, we



will significantly step up our commitment outside energy and reinforce the interlinking between the Global Commodities segment with the existing EEX markets. With the strong support of our shareholders, we will exploit further opportunities as they arise.

Today, more than 450 employees work for EEX Group across 15 locations. On behalf of the entire Management Board, I would like to thank you—our esteemed employees—for your outstanding performance. You have always formed the basis of our success and will continue to do so in the future.

Finally, I would like to thank our customers and partners. Your trust motivates us to once again achieve our ambitious aims in the forthcoming year and to build upon those successes achieved in the previous year.

Leipzig, April 2017

For the Management Board

A handwritten signature in black ink, appearing to read 'P. Reitz', with a stylized flourish at the end.

Peter Reitz



THE MANAGEMENT BOARD

From left to right:

Jean-François Conil-Lacoste › Executive Director Power Spot Markets

Steffen Köhler › Chief Operating Officer

Dr Egbert Laege › Executive Director Gas Markets

Dr Dr Tobias Paulun › Chief Strategy Officer

Peter Reitz › Chief Executive Officer

Dr Thomas Siegl › Chief Risk Officer

Iris Weidinger › Chief Financial Officer

REPORT OF THE SUPERVISORY BOARD

Dear Shareholder,

During the reporting year (2016), 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 accompanied the Management Board in the running of the Company in an advisory capacity and continuously monitored the conduct 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, the course of the business, the further strategic development and the current situation of the Group. The business transactions, which were of significant importance to the Company, were intensively discussed 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, one resolution was adopted by circulation on account of its 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 current development of the business situation and essential business transactions 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 and deal with matters to be discussed by the board. In addition, the Supervisory Board has transferred individual tasks and parts 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 seven 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, subjects to be covered by the Supervisory Board and the 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 employment contracts with Management Board members—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 committee consists of the chairman and the deputy chairmen of the Supervisory Board. During the reporting period, the Personnel Committee met three times. At these meetings, it dealt with the introduction of a new system for the assessment of financial targets for the Management Board; those targets were applied for the first time for the 2016 financial year on the basis of a corresponding resolution by the Supervisory Board. 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.

Supervisory Board meetings

In the reporting year 2016, four ordinary meetings of the Supervisory Board were held. At all ordinary meetings, the



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.

Since 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.

focus was on the current report of the Management Board regarding the existing situation of the Company, which the Supervisory Board then discussed with the Management Board in detail. Furthermore, in accordance with the resolution of the Supervisory Board regarding the dissolution of the strategy committee as of the end of 2015—two Supervisory Board meetings focusing on strategic subjects were held for the first time in 2016 in addition to two extraordinary Supervisory Board meetings which also 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 the discussion of fundamental questions as to 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 29 February 2016, the Supervisory Board adopted a new system for the assessment of financial targets for the Management Board, which was applied for the first time in the 2016 financial year.

At the meeting convened to approve the balance sheet as of 6 April 2016, the Supervisory Board comprehensively looked into the 2015 annual and consolidated financial statement and 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 0.18 per share certificate entitled to dividends. In addition, a proposal to the Annual General Meeting regarding the election of a Supervisory Board member was adopted. In addition, the Supervisory Board diligently dealt with the development of the group company Cleartrade Exchange Pte. Ltd. (CLTX) and approved the takeover of all remaining shares of the co-shareholders by EEX on the basis for comprehensive restructuring of this company. Upon a recommendation to this end by the Personnel Committee, the board also approved the proposed degrees of target achievement of the Management Board members for the financial year 2015, and the management bonuses connected with these.

The first strategy meeting on 9 May 2016 focused on the discussion of the strategy framework conditions for preparing revenue planning from 2017 to 2022. The Supervisory Board also discussed the IT strategy of EEX Group and was provided with a report on strategic initiatives in the gas business. In this context, the Supervisory Board approved the acquisition of all the remaining shares in Gaspoint Nordic A/S by EEX as well as the subsequent intragroup resale of the total shareholding to its subsidiary Powernext S.A.

At the Supervisory Board meeting on 16 June 2016, the Supervisory Board approved the project costs for the development of an offering for trading of non-financial instruments, so-called Non-MTF products, in the course of the introduction of the MiFID II financial market regulation. In addition, the deliberations focused on reporting on current strategic projects.

The meeting on 19 October 2016 focused on the approval of the 2017 budget and the medium-term planning from 2018 to 2022 as well as reporting on a potential transaction outside the European core markets of EEX. The Supervisory Board also intensively discussed a draft resolution for the general meeting regarding the execution of a significant capital increase which was intended to create the financial basis for implementing the global growth strategy of EEX. Since not all detailed questions could be finally resolved at the meeting, the adoption of the resolution was postponed to an extraordinary meeting on 31 October 2016. Following renewed deliberations, the Supervisory Board approved the proposed resolutions regarding the execution of a capital increase to be submitted to the general meeting. This was followed by an extraordinary general meeting of EEX chaired by the Supervisory Board chairman on 16 December 2016.

At the second strategy meeting of 2016 (held on 14 November 2016), the Supervisory Board focused on the revised EEX Group strategy whose objective during the reporting year was on analysing and identifying target markets outside Europe. In this context, the Supervisory Board was comprehensively informed of the methods, revenue potential and results of the assessment for the global product-country combinations considered. In addition, the Supervisory Board approved two acquisitions of shareholdings within the Group. The report on the status of the acquisition project as well as an update on the EEX IT strategy comprised another focus of the deliberations.

In addition to regular reporting and updates on market dynamics, financial performance, strategy, IT and risk devel-

opment, the discussion of a preliminary dividend proposal for the 2016 financial year, which was approved by the Supervisory Board following thorough deliberations, formed a central subject at the meeting on 14 December 2016. Furthermore, the Supervisory Board adopted the individual target agreements for the Management Board members for 2017 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, and submitted these to the Supervisory Board at the due time.

KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, was appointed as the auditor of the annual accounts and group auditor for the 2016 financial year by the Annual General Meeting, and audited the annual financial statement as of 31 December 2016 prepared according to the rules of the German Commercial Code (HGB) and the appertaining management report as well as the consolidated financial statement as of 31 December 2016 (prepared according to IFRS in the version in which these have to be applied within the EU) and the appertaining consolidated management report and has certified each of these without qualification.

The auditor of the annual accounts submitted reports on the type and extent as well as the result of the audits to the Supervisory Board. The documents regarding the financial statements referred to, as well as the audit reports provided by the auditors of the annual accounts, were submitted to all the Supervisory Board members by the due date. The auditor of the annual accounts took part in the Supervisory Board meeting on 5 April 2017 and comprehensively reported on the essential findings of the audit.

The Supervisory Board has examined the annual financial statement and the management report, as well as the consolidated financial statement and the consolidated management report. As there were no objections, the result of the audit made 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 financial year 2016. The annual financial statement of EEX is, therefore, adopted. The Supervisory Board has approved the Management Board's proposal regarding the appropriation of the balance sheet profit.

Matters of the Management Board

There were no changes in the staffing of the EEX Management Board in 2016.

Matters of the Supervisory Board

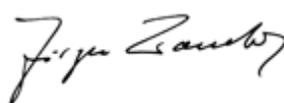
With effect from 20 January 2016, Dr Nigel Hawkins, Head of Power & Fuel Portfolio Management at Enel Trade S.p.A., was delegated to the EEX Supervisory Board as the successor of Pierre Bornard, who had left the Supervisory Board in 2015.

Dr Randolf Roth resigned from his position on the Supervisory Board with effect from 16 June 2016. He was succeeded in office by Andreas Preuß, Deputy Chief Executive Officer of Deutsche Börse AG, who was elected as a member of the Supervisory Board of EEX at the annual general meeting on 16 June 2016.

The Supervisory Board would like to thank the members of the Management Board and all the members of staff of European Energy Exchange AG for the work which they have undertaken during the year under review—they have made a significant contribution to the success of EEX during this particularly successful financial year.

Leipzig, April 2017

On behalf of the Supervisory Board



Dr Jürgen Kroneberg
Chairman of the Supervisory Board



*"The whole is greater
than the sum of its parts."
Aristotle*

FACTS & FIGURES

EEX GROUP

eex

EEX is the leading European energy exchange.

Contracts on energy, environmental products, freight, metals and agriculturals

EPEXSPOT

EPEX SPOT operates the power spot markets of the Group.

Power: Day-ahead and intraday trading

PEGAS

PEGAS is the central gas trading platform of EEX Group and bundles the liquidity of a large number of markets.

Operated by Powernext

ECC
European
Commodity
Clearing

ECC provides clearing as well as physical and financial settlement of the transactions.

Central clearing house of EEX Group

CLTX

CLTX is a platform for trading in global commodity derivatives transactions.

More than 40 derivatives contracts focusing on the Asian markets

powernext

Powernext offers spot and derivatives trading for European gas markets and operates the register for French guarantees of origin.

Gas products for AT, BE, DE, DK, FR, IT, NL, UK

PX
POWER EXCHANGE
CENTRAL EUROPE

The Prague-based PXE is the centre of competence for the eastern European markets.

Trading products for power in CZ, SK, HU, PL, RO

**GASPOINT
NORDIC**

Gaspoint Nordic is a company specialising in the Danish gas market.

Part of the PEGAS platform since 2016

The companies of EEX Group
each specialise in certain products
in order to be able to address the customers'
requirements and develop the market
in a targeted way.

THE EEX GROUP

brings together
more than

500

TRADING PARTICIPANTS

from more than

30

COUNTRIES

employs
more than

450

EMPLOYEES

at

15

SITES

NEW PRODUCTS, SERVICES,
PARTNERS AND COOPERATIONS IN 2016

29 February

On that day, the

1000th

primary market auction
is held on EEX.

31 May

The Prague-based

PXE

becomes a member
of EEX Group.

17 February

EPEX SPOT launches
services for the South East
European Power Exchange

SEEPEX—

clearing provided by ECC.

16 June

New short-term
maturities

EEX launches day and weekend
futures for power peak load
deliveries for France and Italy.
Additional week futures are
launched for the market areas
of the Netherlands, Switzerland
and the Nordic market.

30 March

PEGAS expands its
offerings with hourly
contracts for the

GASPOOL,
NCG and TTF

market areas.

1 July

Non-MTF

EEX and Powernext launches
“non-MTF” platforms for German
and French power futures and
for all gas futures.

April

ECC assumes clearing
of the Dutch, Belgian
and British power spot
markets of

EPEX SPOT

(formerly: APX-Belpex).

July

EEX is appointed the
European
platform,

for execution of CO₂
primary market auctions
for another 5 years.

25 August

ECC celebrates 10-year anniversary

The clearing house was created as a result of the spin-off of EEX's clearing activities. ECC was registered in the Leipzig commercial register on 25 August 2006.

September

ECC introduces a model for direct participation in clearing for the power spot markets.

Direct Clearing Participant Model

26 September

EEX launches

4

Additional maturities for EUA futures beyond 2020.

Introduction of

Options

on EUA Futures.

4 October

EEX launches

Wind Power Futures

as the second product for the 'Energiewende'.

5 October

Intraday harmonisation

The Dutch and Belgian power intraday markets of EPEX SPOT (formerly: APX-Belpex) are now connected with the intraday markets for Germany, France, Austria and Switzerland in one trading system.

17 November

Gaspoint Nordic

Danish gas products of Gaspoint Nordic successfully migrated to PEGAS.

1 December

CEGH

Austrian gas exchange products on the Central European Gas Hub available on PEGAS.

*"It is only a vision
if it exceeds the imagination
of others."*

page 20



Designing

global emissions trading

page 26



Opening

global commodity markets
for European participants

page 32



Expanding

risk management
for agriculturals



EEX as a one-stop-shop:
from the European energy exchange
to the international
commodity exchange

Trading of emission allowances aims to create incentives for the reduction of CO₂ emissions. In its role as a market place, EEX contributes to the achievement of EU environmental targets.

Now is the time to think beyond European borders:

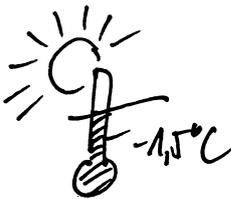
We will take part in developing emerging emissions trading systems worldwide.

Designing
global emissions trading





Market-based instruments
can support climate protection targets
adopted at the world climate conference.
Trading in emission allowances
is one of the mechanisms in which EEX
has many years of experience.



World climate negotiations rely on the market

There are moments in history which you simply do not forget. One such moment was the conclusion of the COP21 world climate conference which was held in Paris in December 2015. For the first time in history, governments worldwide committed to the long-term aim of limiting global warming to 2°C higher than in the pre-industrial age—and even to strive to achieve a reduction of 1.5°C. The weeks of negotiations and the years of preparations for the final resolutions were certainly worth it.

What is particularly positive is that the world climate treaty recognises the importance of markets for the attainment of climate protection targets. In fact, it goes further than this—by calling for the expansion of the use of market mechanisms. Article 6 of the agreement provides for three specific measures to this end. These include the creation of new rules regarding the cross-border transfers of reduction obligations, the draft of a new mechanism under which these can be settled and the specification of joint accounting standards in order to prevent the double counting of reductions. This establishes the foundation for the efficient attainment of the ambitious climate protection targets as set by the climate conference—with the help of market-based instruments.

The world climate conference was followed by the unparalleled rush of countries worldwide to ratify the treaty as quickly as possible. Upon

its signing by the EU Commission, Germany and other EU member states on 5 October 2016, the contract finally took effect in November 2016 and, as a result, its aims became binding under international law.

The attainment of these targets will require the greater expansion of pricing of greenhouse gases (first and foremost CO₂) and emissions trading has certainly evolved into the most efficient market-based instrument to achieve this. Within the European Union it is the main instrument for climate protection—with an ever increasing number of countries worldwide adopting this approach. Despite the partly critical discussion on the further development of emissions trading in Europe, there is one aspect on which we can be sure: Europe remains a pioneer and a model for emissions trading. Although the current price level appears to be too low to many, the market is working: Emissions trading has delivered the reduction targets, and CO₂ emissions have fallen significantly. Globally, Europe remains a pioneer and role model in emissions trading. Governments worldwide use the design of the European emissions trading system (ETS) as a template when introducing their own trading systems.

However, long-term success will depend—to a significant degree—on us as Europeans understanding the ETS as a market-based and consistently European instrument, and further developing it as such. Instead of discussing possible



More than
1,150
 AUCTIONS

on behalf of
27
 EU MEMBER STATES

interventions in price levels, we must guarantee free pricing and we need to determine ambitious and long-term reduction goals. Rather than discussing proposals for purely national reforms, we have to understand that the system can only be developed further on the basis of joint, supranational considerations.

EEX taking responsibility

EEX is an exchange with extensive experience on the emissions market, and this commitment, which dates back to 2005, is also reflected in

impressive figures: So far, more than 3.5 billion emission allowances have been traded on EEX. We have carried out more than 1,150 auctions for 27 countries. More than 150 participants are licensed to trade on this market. This does not only testify to our experience but also to the trust which the market and our customers place in us.

For this reason, we are very pleased that, in a tendering procedure in 2016, 25 EU member states again commissioned us to carry out auctions of new emission allowances on their behalf for another five-year period. This supplements the auctions for Germany, which we have carried out since 2010. As a result and in combination with the auctions for Poland, more than 90 percent of the certificates auctioned in Europe reach the market via EEX.

At the same time, we have single-mindedly expanded our secondary market offering for emission allowances: by launching new products (e.g. spread and option contracts), by acquiring new partners as Market Makers that ensure liquidity as a result of their constant presence in the order book and through an attractive transaction fee structure. This enables our trading participants to fulfil their requirements in emissions trading even more efficiently through the use of spot and



By means of primary market auctions, emission allowances are issued to the market for the first time.

At 309.5 million tonnes of CO₂, EEX almost tripled its volume on the EUA secondary market (2015: 105.9 million tonnes of CO₂).

derivatives products. This results in a constantly growing number of active trading participants and higher trading volumes on the EEX market.

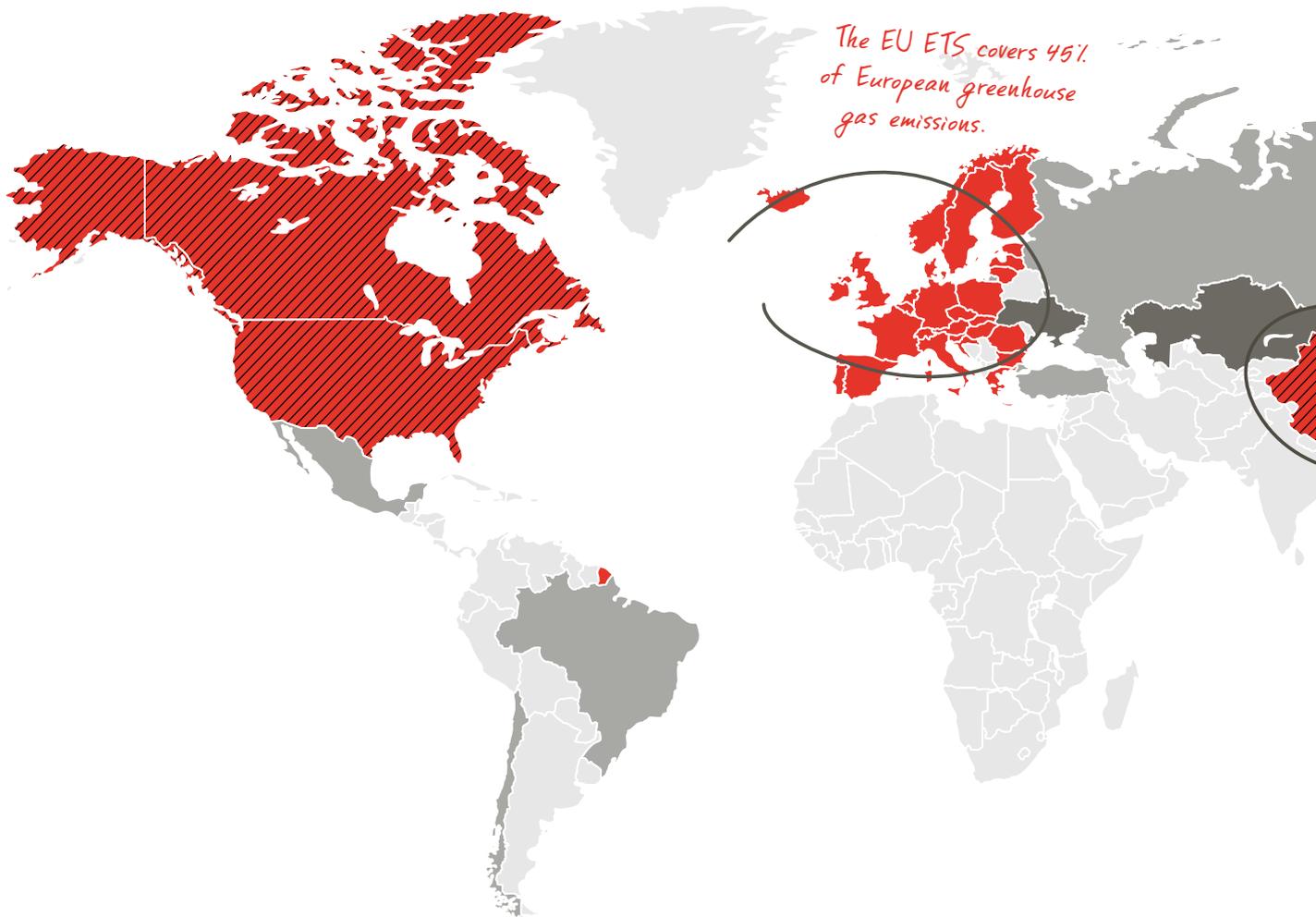
Even today, EEX is well-prepared for the fourth trading period. While, at a political level, the design of the trading system from 2020 to 2028 is still being discussed, we have offered contracts beyond 2020 since September 2016. The response of the market is positive and the first transactions have already been concluded. This shows that—even in view of political uncertainty—established market structures can safe-

guard reliability and continuity, and this benefits the emissions trading system in its entirety.

**Climate axis between Europe and China:
En route to a global emissions trading system**

However, our long-standing experience also means that we have special responsibility for the further development of emissions trading worldwide as a means to ensure the urgently needed pricing of emissions. This is because we can generate savings where such are economically most sensible if—and only if—we are able to determine a price for emissions worldwide. At the same time,

The development of emissions trading systems worldwide



this helps to simplify the emissions trading systems as such; because if there is a *level playing field*, you can dispense with expensive balancing mechanisms for industries in international competition. For this reason, our long-term vision is a global emissions trading system. A glance at the map of the world shows that the world is coming ever closer to reaching this target.

The launch of the national trading system in China in 2017 forms an important milestone in this direction. With an annual volume “cap” of approximately 4 billion tonnes of CO₂ (more than

double the volume of the EU ETS—1.8 billion tonnes of CO₂), the biggest emissions trading system in the world will be created in China. This means that the most significant producer of greenhouse gases will now rely on a market-based solution for limiting its emissions.

A close connection between the emissions markets in Europe and China is of central importance since—as seen from the perspective of the market participants—both markets already have close interconnections and many companies will be covered by the emissions trading system in both regions as a result of their business activities. Therefore, EEX not only supports the development of new trading systems worldwide but also actively promotes the integration of these different systems.

* *“Level playing field” means that all participants on a market are subject to the same rules and conditions.*

The long-term vision—a global emissions trading system



We have operated as consultants in China for some time and, for 2017, we plan to offer our own products for the national Chinese emissions trading system. In doing so, we will not only offer our trading participants instruments for price hedging for the European emissions market but also for the Chinese emissions market via one central platform. This is an offering which we want to gradually expand in cooperation with Chinese partners and, through this, link the EU ETS with the Chinese ETS.

EEX targets:

- 1. Strengthening its position as an auction platform*
- 2. Expanding liquidity in secondary trading in emission allowances*
- 3. Contributing to the development of ETS worldwide*

The climate conference in Paris has shown us that the world is determined to limit global warming. Pricing of CO₂ and, in particular, emissions markets are prevailing as the means of choice to ensure the required restriction of greenhouse gas emissions. We should continue this course and, at the same time, expand the links between the trading systems. EEX is certainly ready and willing to make its contribution to this historic development.

*Our trading participants
already operate far
beyond Europe.*

*With our products, such
as freight and iron ore,
we are further expanding
our offerings to include
commodities traded
worldwide, aiming to meet
our customers' needs.*

*We support trading
in energy and
commodities along the
entire value chain.*



Opening
global commodity markets
for European participants



By expanding its product portfolio with “global commodities”, EEX offers its customers a broad range of products at a global level.

From an energy exchange to a commodity exchange

Launched in 2014, the Global Commodities business is the most recent addition to the EEX Group product portfolio. Broadly speaking, we define Global Commodities as any major seaborne bulk commodity, i.e. iron ore, coal as well as freight products. This can be further explained as the product portfolio of Cleartrade Exchange (CLTX) –part of EEX Group since 2014–as well as additional products listed at EEX. Essentially, the reason we are active in this market is twofold:

- > We aim to support our customers on a global level
- > We enable efficient risk management throughout the supply chain.

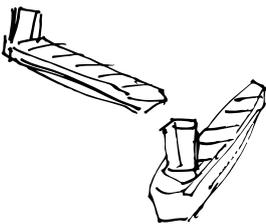
Supporting our customers on a global level

Commodity markets are globally connected and often have correlations. Many of our customers are not only active in one market. They no longer wish to trade one asset class per exchange but instead they require a much broader range of trading possibilities in a single marketplace. By launching our global commodities business, we are supporting and enabling our customers to trade and clear a broader portfolio of products from a global perspective.

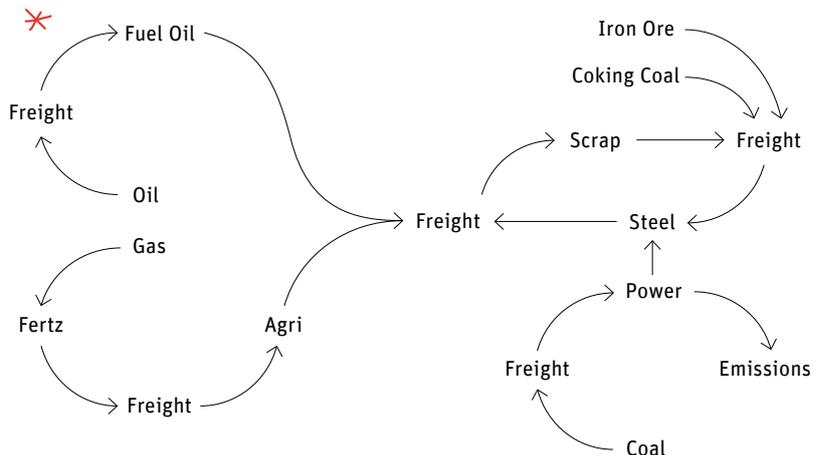
The global supply chain

As you can see from the below sketch, the global supply chain is interconnected, with each commodity being dependent on the next. By offer-

In 2016, CLTX became a wholly owned subsidiary of EEX.



*“Dry Bulk Freight Market”
Transport costs on worldwide sea trading routes can be hedged through futures.*



Let's take the example of a coal-fired power plant: the operator can buy the coal for operating their power plant on the derivatives market of the exchange and thereby secure a long-term price for the future delivery. The freight rates for the transport of their goods can be hedged against future price movements by freight futures. They can also use the spot and futures market for power to optimise their electricity production both in the short term and long term. Finally, they are able to fulfil their compliance obligations from emissions trading on the same platform.

ing various commodities which complement each other on one platform the exchange adds value for the customers.

By entering into new commodities, not only are EEX Group able to offer our customers a greater level of trading possibilities, we are also enabling more efficient risk management at the corporate level. By offering clearing of all products in one clearing house, it enables customers to use their capital more efficiently by only posting a single collateral position at ECC for several of their trading positions (cross-margining).

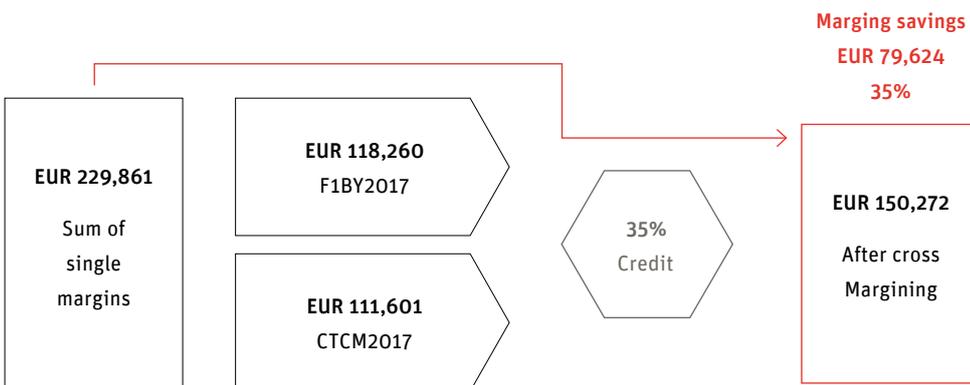
Dry Bulk Freight—a significant step into Global Commodities

The ultimate aim of EEX Group is to be able to provide our customers with a “one-stop-shop” where they can trade their entire global portfolio on one screen. Therefore, in order to compete at a global level, with other commodity exchanges, the dry bulk freight market was targeted as a key entry point into the Global Commodities space. We found that the dry bulk

Advantageous for companies with broad portfolios

Example Portfolio

German Power Base Front Year (F1BY2017) 5 buy
Capesize Time Charter Front Year (CTCM2017) 10 sell



In the above example, a customer holds a purchase position in German power futures and a sales position in freight futures, both with delivery in 2017. If these positions are held in separate portfolios, the sum of the collateral to be deposited (on this day) would be EUR 229,861. If the positions are held in one portfolio, the opposite risks are offset. As a result, one net risk position is calculated which reduces the collateral to be deposited to an amount of EUR 150,272 which corresponds to a saving of 35%.



freight market had the most potential to create a bridge from the traditionally European member base, EEX's biggest customer base, to a globally traded market with a new customer base in Asia. This is due to the fact that the dry bulk freight market consists of both European and Asian players. Dry bulk freight futures are offered by CLTX directly and EEX also offer these products for Trade Registration on its platform. The future contracts enable market participants to hedge against volatile prices for freight rates, referring to the transport of commodities in different sizes and for different sea trade routes. This service enables the, primarily European, customers of EEX to access the global freight markets. In the

year 2016 12,655 contracts were registered for clearing which indicates an interest from our market participants in the use of these products.



CLTX—an important player in the EEX Group strategy

The acquisition and amalgamation of CLTX into the EEX Group opens up an already existing channel into Asia—one of the most important global trading markets. Headquartered in Singapore and initially set up in 2010, CLTX is a regulated futures exchange specialising in freight, ferrous metals, agricultural and energy markets. Regulated by the Monetary Authority of Singapore (MAS) as an RMO, CLTX offers a portfolio of futures and options contracts.

CLTX offers a trading platform, focused on the execution of trades in a central order book. A special feature of the platform is its connection to several clearing houses

thereby offering its members the choice of, and best possible execution for, every trade. In addition, CLTX works closely with brokers and supports them in brokering business through their platform.

EEX Group can benefit greatly from CLTX's experience in global commodity markets, regardless of whether the counterparties want to take advantage of the liquidity offered on CLTX's order books or use their broker to execute on their behalf. CLTX will continue to develop as a specialist business, providing a market dedicated to managing shipping risk. This in turn supports our customers' needs for trading across a variety of markets and geographic zones.

Expanding
risk management for
agricultural products





In the agricultural segment, EEX already provides the leading derivatives market for dairy products and potatoes in Europe today.

For the further development of our markets, we rely on a close cooperation with the agricultural and food sector.

We offer solutions for price hedging in the European agricultural markets.

Agricultural derivative contracts have been recently added to the EEX portfolio. We bring together the market segments of energy and agriculturals to develop a commodity exchange with global reach.



How do agricultural products fit in with EEX as an energy exchange?

The trading participants of EEX have also been able to trade potatoes, dairy products and pigs recently. How does this all fit together? Within Deutsche Börse Group, EEX has the expertise in commodity markets. The agricultural markets are the biggest and oldest subcategory in commodity trading. For us, the agricultural business is a strategically important component of the evolution from being the leading energy exchange in Europe to becoming a globally operating commodity exchange. Even today, we have customers operating in both market segments—energy and agriculture—for whom the trading of all products on one platform makes sense.

For us, the agricultural segment is a strategically important element of further development—taking us from being the leading energy exchange in Europe to a globally operating commodity exchange.



Agricultural markets—benefiting through exchange experience

Since May 2015, agricultural derivatives contracts for dairy products, processing potatoes as well as for livestock and meat have supplemented the EEX product portfolio. Participants from the agricultural and food sector use these products for hedging against price fluctuations on the physical markets. These price fluctuations can have a wide range of causes: Prices are created through the development of supply and demand and are influenced by a number of external factors—such as the weather, stock levels, freight rates and commodity prices as well as political interventions.

The advantages of exchange trading can be illustrated with the help of an example: A potato farmer can assess the likely production output in advance; however, there is uncertainty as regards the future price at which the crop can be sold. According to the European Processing Potato Index, during the 2015/16 marketing season, the potato price ranged between EUR 11.00 per 100 kg and EUR 22.10 per 100 kg. EEX gives producers and consumers the possibility to trade anonymously and without any default risk on a supervised and transparent market and to hedge against price fluctuations—up to two harvest seasons in advance, in the case of potatoes.

In 2016, a volume of

55,838

CONTRACTS

was traded in the agricultural segment.

This corresponds to a

53%

increase as against the 2015 volume (trading on EEX was launched in May 2015).



* Highest trading volume on a European derivatives market so far – EEX's position as the leading European derivatives market for dairy products strengthened

Customers from the entire value chain of the agricultural and food sector throughout Europe trade on our market platform with trading usually taking place indirectly: Banks and brokers bundle the customers' trading interest on these markets. The target customers include companies from the agricultural and food sector, such as farmers, dairies, pig fatteners and other companies from the agricultural industry that use our contracts to hedge their price change risk in the physical segment.

EEX satisfied with development in the agricultural segment

During the 2016 financial year, a volume of 55,838 contracts was traded in the Agricultural segment. This corresponds to an increase of 53% compared to the same period in 2015. In addition to the potato market which has already been established, we are confident that we are on the right track as regards the derivatives market for dairy products: At 82,050 tonnes of commodity equivalent in 2016, we generated the highest annual trading volume achieved by any exchange operator in Europe so far. As early as at the beginning of May, the trading activities exceeded the annual volume achieved in 2015. Our offering is well received—the liquidity in Butter and Skimmed Milk Contracts, in particular, has developed very positively.

As a result of increasing globalisation, participants will have to expect increasing price volatility on the markets.

As a result of the increasing globalisation of the market for milk and dairy products over the last ten years, the participants in the industry are facing increasing price volatility. Conversations

82,050 t*
TRADING VOLUME
on the dairy derivatives market

with various players have shown that this market environment increases the awareness of the need to use exchange hedging instruments. We facilitate this development in our capacity as an exchange operator by participating in various education and training initiatives established by our partners on the range of subjects regarding the risk management of agriculture. For example, in 2016, we supported events held by the Kiel-based ife Institute of Food Economics and Consumption Studies, the German Raiffeisen Organisation, the Federal Bank for Agricultural Development (Landwirtschaftliche Rentenbank) as well as numerous exchange trading participants and agricultural brokers in this context.

The dialogue with our customers forms an essential component of our work in order to establish EEX as a contact and to develop the markets together with the agricultural and food sector. Furthermore, we are also in high demand among expert groups in the political sector and industry associations: In the past year, EEX was able to relate its experience as an exchange operator in numerous lectures and seminars.



EEX a valued contact for experts

On 6 June 2016, Peter Bleser, Parliamentary Undersecretary at the German Federal Ministry of Food and Agriculture, visited EEX in Leipzig. He exchanged experiences in agricultural derivatives trading with the Market Supervision Department and at an experts' meeting.

Outlook

We are convinced that the demand for exchange risk management instruments* for the agricultural sector in Europe will grow. Our focus is on acquiring new customers for trading in the existing products. Over the coming years, we want to further expand our offering in close cooperation with the agricultural and food sector—both with a view to the products offered and in terms of geographic reach.

With regards to the derivatives market for dairy products, the request for a liquid milk contract has repeatedly been voiced. With the help of

butter and skimmed milk powder contracts on EEX, “synthetic” hedging of liquid milk is already possible today and there is an increasing number of producers using this hedge. In addition, we are checking which conditions have to be fulfilled in order to be able to offer a raw milk contract on EEX.

In addition to exchange trading in dairy products, potatoes, livestock and meat, fertiliser contracts are also part of the agriculture portfolio which EEX exclusively offers as a clearing product. The physical fertiliser markets have high trading volumes, but the clearing of fertiliser contracts (which we offer in cooperation with CLTX) is still in its infancy. We also see development potential on these markets and are evaluating how we can improve the integration of the fertiliser markets into the existing agricultural product portfolio.

*
The demand for exchange risk management tools for the agricultural sector will continue to grow in Europe.

PROF DR HOLGER D. THIELE, KIEL UNIVERSITY OF APPLIED SCIENCES



Price volatility IN DAIRY PRODUCTS

What causes the price volatility in milk?

THIELE Higher price fluctuations on the global dairy products market have been observed since 2007. This is primarily due to supply fluctuations caused by the increasing number of extreme weather events and the strongly increasing demand for dairy products on the global market, which is also subject to significant fluctuations depending on the economic and political situation. The influence of global energy prices—with fluctuations in international demand caused by the energy-exporting countries—has also increased significantly.

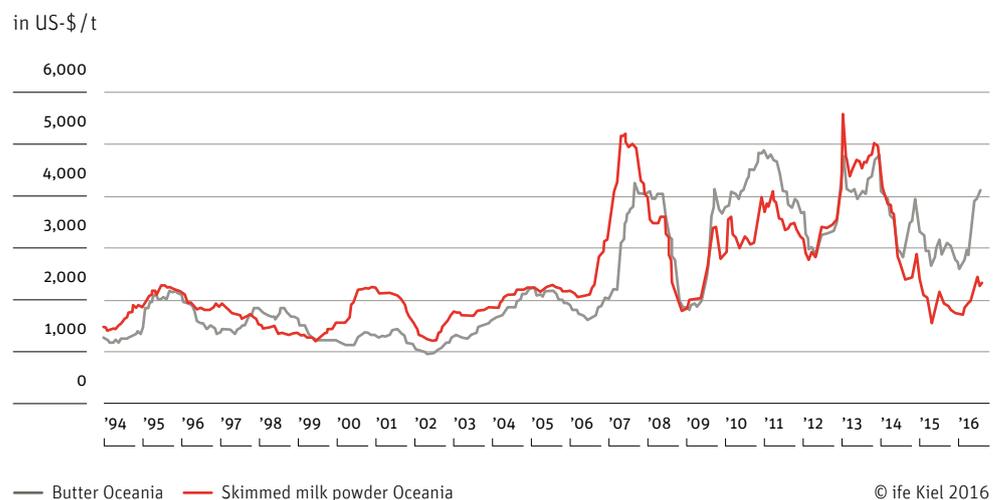
Will the price volatility in milk continue?

THIELE Yes, the price volatility in dairy products will probably even increase. It is conceivable that the factors for the price fluctuations mentioned hereinabove might even lead to more pronounced changes in the international demand and supply of milk volumes. For example, extreme weather conditions are expected to increase. Moreover, the demand effects accompanying international income fluctuations will also have a bigger impact in the event of an increase in the milk volume traded internationally. In this context, it is important for the European dairy markets that the international price fluctuations are having an increasingly significant impact on the EU dairy price changes as a result of the liberalisation of the EU dairy market policy since 2004. In addition to this, the global market price level is higher. According to one of our studies, the international price fluctuations account for more than 80% of the fluctuations, e.g. in the German dairy prices (ife Kiel, 2013).

*Higher price volatility
in dairy products
on the global market
for 10 years*

Since the Oceanian region accounts for the highest share in global trading in dairy products, these prices are usually considered reliable indicators for the world market price structure in milk.

Milk Price Volatility





PROF. DR. HOLGER D. THIELE

is a professor of agricultural economics and statistics at the Kiel University of Applied Sciences and managing director of the Life Institute of the Food Industry in Kiel.

His research and consulting focuses are in cost analysis of the dairy chain, fundamental analysis of the dairy markets and risk management in milk, as well as raw material assessment of milk.

He is the author of the “Kiel commodity milk index” designed in 2010 and of new industry indices for the spot market, as well as the European dairy market. Further, the “Kiel exchange dairy price” which is calculated every day and based on EEX closing prices is also based on his work and analyses.

Milk price fluctuations
in Germany
determined by the global market
to an amount of

80%

*Reinforced
risk management
throughout the entire
value chain for milk
is necessary.*

How can exchange derivatives transactions help to reduce price volatility?

THIELE In view of the high level of uncertainty regarding the future price developments, the profitability and, in particular, the liquidity risks of the market participants on the dairy market are increasing. So far, the sales price risk of the dairy companies has largely been assumed by the commodity producers—i.e. the dairy farmers. Since their liquidity situation is increasingly deteriorating because of high investment levels, it becomes harder and harder for them to assume this price uncertainty. Therefore, risk management throughout the entire dairy value chain needs to be reinforced. Due to the exchange derivatives transactions on butter and skimmed milk powder, which is offered on EEX, dairy plants and the food industry can assume the entire price hedging for buyers and sellers. The derivatives contracts for other industries show how these price hedging strategies can be implemented for all market partners. The potential for various models, e.g. including premium contracts, is huge in this context. The dairy plants can hedge buying prices for milk as a commodity and future sales prices for dairy products via exchange derivatives transactions and calculate net utilisations to be expected. As a result, milk producers can be given fixed milk prices for several months ahead; that has not been the case up until now.

In the case of premium contracts, the delivery date, volume and schedule are agreed. Finally, the price can be determined by the buyer within the time frame specified depending on the exchange price.

FEDERAL MINISTER DR BARBARA HENDRICKS

Guest Contribution

CLIMATE PROTECTION ON THE TRADING FLOOR

The role of emissions trading in the implementation of the Paris Convention

At the world climate conference in Paris, we decided to operate on a climate-neutral basis in the second half of this century. This will require a far-reaching transformation of our economies towards CO₂-low technologies. In addition, the financial flows will also have to be adjusted accordingly.

Of course, as the government, we specifically support climate-friendly technologies. However, it is impossible for us to know which reduction potentials can be exploited specifically in which industries and companies. Therefore, we need a technology-neutral CO₂ price instrument, such as the emissions trading scheme (ETS). This creates the necessary framework conditions for climate protection.

Important advantages of the ETS include its accuracy and flexibility. Furthermore, it creates incentives for innovation, investment and further reductions. Companies will consider the CO₂ price in their decisions and have the highest possible level of freedom regarding the question of how, when and with the help of which measures they will implement emission reductions. This requires market stability and reliable pricing. At the same time, it guarantees that emission targets are reached reliably and cost-effectively: an important precondition for sophisticated climate protection. Emission allowances are auctioned off—the revenue can be used to finance measures in non-ETS sectors in a targeted way—in Germany, all the auction revenue goes into our energy and climate fund.

With the EU Emissions Trading Scheme (EU ETS) launched in 2005, we broke completely new ground. At the time, this instrument was introduced as the first of its kind worldwide with the aim of reducing greenhouse gas (GHG) emissions.

Since then, we have confirmed that economic growth and emissions can be decoupled: While the EU GDP rose by more than 44% from 2005 to 2012, GHG emissions declined by 19% with the decline amounting to as much as 24% from 2005 to 2014 in those sectors in which the ETS is mandatory. This is certainly an important signal for other countries—in particular, those growing quickly.

The experience gathered since 2013 has shown that a change in the system towards auctioning as the standard allocation method works. During this time of fundamental change, EEX has proved to be a reliable partner. For this reason, we welcome the renewal of the contract for EEX as the German auction platform.

Furthermore, the EU ETS is to form a central tool for climate protection in the energy sector and industries, including in the future. Therefore, we want to sustainably strengthen it. It was also thanks to EEX that important reform steps, such as back-loading and the market stability reserve, could be taken.

By now, 17 emissions trading systems have been implemented at the national or sub-national level worldwide. All of these were based on the European system. Asian countries, such as China and South Korea, in particular, have analysed the EU ETS in detail, and adopted those elements which work well—however, they have also learnt from our mistakes. For years, Germany has cooperated closely with other countries in order to support them in their emissions trading systems.

These international developments provide many opportunities for the further expansion and interlinking of emissions



“International developments provide numerous opportunities for future expansion and connection of emissions trading systems.”

DR BARBARA HENDRICKS

DR BARBARA HENDRICKS

Dr Barbara Hendricks has been the Federal Minister for the Environment, Nature Conservation, Building and Nuclear Safety since December 2013.

As a post-graduate with a PhD in the fields of history and social science, she joined the SPD in 1972. Within the party, she was previously the spokeswoman for the minister of finance of North Rhine-Westphalia.

During her term of office as the chairwoman of the SPD sub-district of the district of Kleve from 1989 to 2014, she was also responsible for border-crossing plans, in addition, in her capacity as the undersecretary at the Ministry for the Environment, Regional Planning and Agriculture of the state of North Rhine-Westphalia.

Dr Hendricks was also the parliamentary undersecretary at the Federal Ministry of Finance from 1998 to 2007.

As a member of the Federal Executive Committee of the Social Democratic Party, she was the treasurer of the federal SPD from 2007 to 2013.

Dr Hendricks has been a member of the German Bundestag since 1994.

trading systems. As a result of the Paris Convention, countries now have to take specific measures to attain their nationally determined climate protection contributions (NDCs), and these have to be reviewed regularly—and improved upon if necessary! Many countries provide for market mechanisms in order to attain their NDCs; however, they have not yet specified these. The Paris Convention permits cooperations between countries with the aim of expanding ambitions. Corresponding rules support the linking of emissions trading systems as well as other CO₂ pricing methods; this forms the basis of a global carbon market.

For years, we have been dedicated partners in the International Carbon Action Partnership (ICAP) and the Partnership for Market Readiness (PMR), a World Bank initiative, in order to promote these processes through technical dialogues and capacity building. Last year, we also established the Carbon Market Platform to initiate a strategic dialogue on carbon market developments.

During its G20 presidency, Germany will once again establish climate protection and energy subjects at the highest political level. This forms an important contribution to the attainment of the aims of the Paris Convention. In this way, we want to promote the global expansion of CO₂ pricing methods. Furthermore, we will continue the work of the Green Finance Study Group (set up by China) and prepare a framework for a financial market system facilitating investments in climate neutral and resilient technologies. This will also be of fundamental importance for EEX as an energy exchange and trading platform.

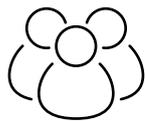
Corporate RESPONSIBILITY

We place a high value on sustainable corporate management. In our day-to-day work, we protect the environment and its resources, in addition to supporting various social projects in and around Leipzig within the framework of our sponsorship concept.

However, our employees are always at the centre of our activities:

We support the compatibility of family life and career and promote our colleagues' health with numerous offers.

INTERNATIONAL



At present, more than

400

employees work at the

15

international sites of EEX Group with approximately

200

employees working at our headquarters in Leipzig.

CUSTOMER ORIENTATION

Our ultimate aim is to provide added value for our customers. To this end, we engage in ongoing dialogue with our trading participants and partners to further develop our offering together with them.

DIVERSITY

We respect people of every age and gender, irrespective of their family background, religious beliefs or sexual orientation.

TRANSPARENCY

Open dialogue with our employees is very important to us. Therefore, we promote an active exchange between the employees of all hierarchy levels.

COMMITMENT

Social commitment is close to our hearts: We support projects in the fields of education, social aspects and ecology.



INDIVIDUALITY

We support employees in their personal career planning by offering performance-based remuneration packages, attractive fringe benefits and temporary assignments abroad.

FAMILY FRIENDLINESS



In 2016, we were awarded the title of a “Family-Friendly Company” within the framework of the “audit berufund-familie”.

SUSTAINABILITY

Our sustainability working group constantly develops our commitment for corporate management as well as the protection of the environment and its resources.

HEALTH CONSCIOUSNESS

During our annual health day, we provide numerous offers regarding health and well-being. We also support our employees with fresh fruit every day—and provide regular health check-ups. We also promote the fitness of our employees through various sports events, such as our boot camp or back training.

RESPONSIBILITY

Our teams are the motor of our success and, therefore, we provide numerous additional offerings to ensure that our colleagues enjoy working with us.



CONFIDENCE

Our colleagues are experts in a wide range of subjects. They assume responsibility for specific objectives and projects and can autonomously promote their implementation.

ATHLETICS

In addition to various corporate sports groups for football, beach volleyball and badminton—as well as running groups and the boot camp—we also successfully take part in various local sports events, such as the Company Run in Leipzig.

TEAM ORIENTATION

We also cooperate very efficiently, effectively and closely, across different departments. In order to safeguard a good working atmosphere, we provide a setting in which we get to know our colleagues better (outside the day-to-day work routine) at our annual team event.

WORK-LIFE-INTEGRATION

We provide support for the employees in finding suitable child care and, in emergencies, we also facilitate childcare at work in our dedicated family room “Entenhausen”.



FLEXIBILITY

In most departments, our employees can make use of the flexitime model with regard to their working hours. In addition to this, we also support individually tailored working hour models.

HOLGER GOLDAMMER, SENIOR EXPERT ACCOUNTING & TAX

Social commitment AT EEX

Why making an active contribution is also important for us as private individuals, how success feels and why joint activities make the EEX team even better.



Social commitment—a broad field: Holger, what role do these activities play in your life and what is your personal contribution?

GOLDAMMER As an athlete, I have benefitted from voluntary commitment over a long period; I took the conscious decision to do something for children and young people ten years ago. Junior athletes frequently do not have the possibilities—or means—to put their own wishes into practice. For this reason, together with some friends, I founded the first speed and inline skating association in Leipzig, which has so far taught several hundred children how to inline skate. As a result of our initiatives and donations, two skating tracks providing traffic-free and safe skating have been built in Leipzig. At least once a week, I coach 20 children and convey the enjoyment of physical exercise. After the training, there is also office work to be done—since I am also in charge of finances within the divisional management of our association.

In 2016, which EEX sports and social activities did you take part in and why?

GOLDAMMER I took part in the Company Run, the Team Run, the Heart Race and the EEX Social Day. In general, lots of team members take part in all of these events. We have to work hand in hand and, in part, closely together to achieve our joint aim as a team. The Team Run as well as

the joint work at the centre for donations in kind during our Social Day are good examples of this.

The Heart Race draws a lot of attention to organ donation. What was the special thing about this as far as you are concerned?

GOLDAMMER The Heart Race organisation awarded our group the title of the “team with the most international participants”. This highlights how

Heart Race

“La course du coeur” is a charity race in France raising awareness of organ donation. Over a period of 4 days and 4 nights, 14 EEX Group team members covered a distance of 750 km across France—on foot, by bike or on in-line skates.

much the EEX Group has evolved and that we can actually come together through sports. At the same time, we were also able to raise the awareness of the importance of organ donation—both among ourselves and among the spectators lining the streets. Ultimately, for me as a former competitive athlete, it was certainly fascinating to take my body to the limit once again after a long break. Sore muscles to support a good cause—this certainly makes it all the more worthwhile!



The EEX Group team at the last stage of the Heart Race.

Regarding the Social Day: What is your position on this? In your opinion, what personal and social benefit does this create? What do you think the difference is versus regular EEX team events?

GOLDAMMER Due to my own voluntary commitment, I understand how non-profit organisations work, I know their motives—as well as their problems. Therefore, it is always very helpful for such initiatives and associations when there is a big group of supporters that does work wherein the few available volunteers would otherwise have to spend a lot of their free time. In this way, certain objectives can be reached quickly—together. Personally, I like to choose projects that directly or, at least, indirectly, concern children and young people. Over the last two years, the focus has been on projects

dealing with the integration of refugees and on coping with the challenges resulting from this. Finally, it is also wonderful to meet again as a big group after the day's work and discuss our experiences during the day.

Holger Goldammer joined EEX in January 2012.

Together FOR A SUSTAINABLE COMPANY

Making a contribution with commitment and team spirit—
our campaigns in 2016

COMMUNITY

TEAM EVENT

The team event aims to facilitate closer cooperation between the employees of various departments. While the activities take place in smaller groups throughout the day, all colleagues traditionally get together again later to spend a pleasant evening together and to get to know each other better outside their day-to-day work routine.



10-YEAR ANNIVERSARY OF ECC



In 2016, ECC celebrated its 10th anniversary. On this occasion, it hosted a great birthday party for employees and business contacts, at which it celebrated the success achieved so far and raised a toast to future cooperation.

HEALTH DAY



Once a year, the focus is on the subject of health. Our employees can learn more on subjects like stress reduction, health in the workplace and healthy diet in various workshops and lectures while becoming more active in the context of sport offerings.

SOCIAL DAY

We held our team event as a “Social Day” for the third time. On this occasion, our colleagues helped out in various social facilities taking part in craft activities and also working directly with home residents.

WE FOR YOU
#SOCIALDAY2016



COMMITMENT

CHRISTMAS WISH TREE



In 2016, our colleagues again fulfilled the Christmas wishes of children living in Leipzig children’s homes. We received more than 200 wish lists within this initiative, and we were delighted to see so many smiles on the children’s faces.

EXCELLENCE AWARD

EEX presented its Excellence Award for outstanding scientific theses for the fifth time in 2016. Many of the theses submitted dealt with the trends and innovations on the energy markets. The award was presented to five winners from Germany and the United Kingdom.

TEAM

THREE PEAKS CHALLENGE

Climbing the three highest peaks in England, Scotland and Wales within 24 hours—some of our colleagues again accomplished this feat this year. The event supports the “Havering Mind” association promoting mental health for people aged 50 and over.

SPORTING SPIRIT

The Leipzig Companies Run and the “Sachsenbeach” beach volleyball tournament have long since become a tradition with the sports enthusiasts among our staff. In 2016, an EEX team also took part in the Dragon Boat Race—and in the first attempt, our team was able to overtake six other teams.



CONSOLIDATED

MANAGEMENT REPORT

FOR THE FINANCIAL YEAR 2016

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

1 GROUP OVERVIEW AND BASIC INFORMATION

BUSINESS ACTIVITIES AND GROUP STRUCTURE

BUSINESS MODEL

The European Energy Exchange AG (EEX), having its registered office in Leipzig, Germany, is Europe's leading energy exchange and a member of 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 to become a leading trading platform for energy and related products with international partnerships. As at 31 December 2016, EEX Group had 15 offices in Amsterdam, Berlin, Bern, Brussels, Copenhagen, Leipzig, London, Luxembourg, Madrid, Milan, Oslo, Paris, Prague, Singapore and Vienna, and employed a total of 453 employees.

EEX Group has more than 15 offices with a total of 453 employees

EEX Group develops, operates and interconnects secure, liquid and transparent markets for energy and commodity products. Clearing and settlement of all transactions are provided by European Commodity Clearing AG (ECC), a wholly-owned subsidiary of EEX. EEX Group pursues a "one-stop-shop" business model, offering customers efficient and cost-effective services ranging from exchange trading, clearing and settlement to special services, such as market and transparency data as well as data reporting services—all from one source.

EEX Group relies on a business model which achieves enhanced flexibility, increasing market coverage and higher volumes, e.g., through co-operations and partnerships. Through these consistently expanding co-operative relationships, EEX makes a decisive contribution towards the integration of European energy markets. Its flexible structure, consisting of specialised companies for different markets with sites in different countries, ensures close contact with the market, as well as optimum local support for customers.

BUSINESS AREAS AND PRODUCT PORTFOLIO

Generally, exchange trading is differentiated 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 procurements and sales. On the other hand, trades concluded on the derivatives market are settled physically or financially at a later point in time which is 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 off the exchange, on the exchange and have these settled via ECC. Therefore, the participants benefit from standardised processes and protection against payment and/or delivery default.

In terms of organisational structure, the EEX Group offering is divided into six commodity-specific and two cross-commodity business areas:

Business Areas of the EEX AG

| Power Spot | Power Derivatives | Natural Gas | Environmental Products | Agriculturals | Global Commodities |
|----------------------|-------------------|-------------|------------------------|---------------|--------------------|
| Clearing Services | | | | | |
| Market Data Services | | | | | |

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

Within the commodity-specific business areas, the following products are offered for trading and clearing—primarily in Europe but also increasingly in Asia:¹

Products for Trading and Clearing

| | |
|------------------------|---|
| Power Spot | <ul style="list-style-type: none"> › Intra-day and Day-ahead products for <u>Germany, France, Austria, Switzerland, Belgium, the Netherlands</u> and the <u>United Kingdom</u> › Day-ahead products for Serbia › Capacity certificate products for France › Market coupling products and services to Transmission System Operators › Tender services in the Czech Republic |
| Power Derivatives | <ul style="list-style-type: none"> › Futures and Trade Registration services for <u>Germany/Austria, France, Italy</u>, 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 › “Energiewende” products: Intraday Cap Futures and Wind Power Futures |
| Natural Gas | <ul style="list-style-type: none"> › Spot- and derivatives products and Trade Registration services for <u>Germany (GASPOOL, NCG market areas), France (PEG Nord, TRS), the Netherlands (TTF)</u>, 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) |
| Environmental Products | <ul style="list-style-type: none"> › Spot and derivatives products for secondary trading in emission allowances (EU Emission Allowances—EUA; EU Aviation Allowances—EUAA; Certified Emission Reductions—CER) › Spot primary 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 | <ul style="list-style-type: none"> › Futures on butter, skimmed milk powder and whey powder › Futures on European processing potatoes › Futures on piglets and hogs › Futures on fertilisers |
| Global Commodities | <ul style="list-style-type: none"> › Futures on freight rates and container capacities › Futures on fuel oil › Futures on iron ore (iron ore and steel) › Futures on coal › Options on freight rates |

¹ Products generating highest sales in each of the power spot, power derivatives and natural gas business areas respectively are underlined.

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

Services

| | |
|----------------------|---|
| Clearing Services | <ul style="list-style-type: none"> › Provision of infrastructure and services for execution of clearing and settlement of trades in the above-mentioned business areas › Risk management services › Clearing services for partner exchanges that are not part of EEX Group: <ul style="list-style-type: none"> · HUPX (spot and derivatives market for power in Hungary) · NOREXECO (derivatives market for pulp and paper) |
| Market Data Services | <ul style="list-style-type: none"> › Services in connection with EEX Group trading data › Services in connection with generation, storage and consumption data in the area of power and gas › Services in the area of data reporting and regulatory reporting |

GROUP STRUCTURE

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 application landscape for these companies’ customers. It also works in the area of service level agreements as a central service-provider for its subsidiaries.

Further, through ECC and its subsidiary European Commodity Clearing Luxembourg S.à.r.l. (ECC Lux), EEX Group has a clearing house operating throughout Europe. Its range of services comprises clearing and settlement for exchange transactions and transactions registered for clearing on the connected exchanges, as well as operation of the Clearing Services business area.

The trading services of the power derivatives segment (except for Eastern Europe) are focussed within EEX Power Derivatives GmbH (referred to as EPD below). 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 the 2016 financial year, EEX Link GmbH (EEX Link) commenced operations. EEX Link provides services with the aim of bundling liquidity between regulated exchange markets for power and gas and another category of market platforms—designated as non-MTF markets. Further details can be found in the sections “Macro-economic, industry-specific and regulatory framework conditions” as well as “Essential risks” below.

France-based EPEX SPOT SE (EPEX) and its partially integrated Dutch subsidiary APX Holding B.V. (APX) is the leading European power spot exchange and is part of EEX Group. It 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. EPEX also owns 25% of the shares in the South Eastern European Power Exchange (SEEPEX), an exchange that operates a spot market with delivery in Serbia.

Following the merger of EPEX and APX, 100% of the shares in the Dutch company APX Shipping B.V. were transferred to EEX.

Together with its subsidiaries, the French company Powernext SA (Powernext) provides trading services as well as market data services within the natural gas business area (except for the Czech Republic). In the 2016 financial year, Powernext acquired 100% of the shares in the Danish entity Gaspoint Nordic A/S (Gaspoint Nordic) from EEX, after EEX had initially purchased the remaining 50% of the shares in Gaspoint Nordic. Furthermore Powernext, together with the Austrian Central European Gas Hub AG (CEGH), established the PEGAS CEGH Gas Exchange Services GmbH (PCG) subsidiary, which operates the Austrian gas market. Powernext holds 51% of the shares in PCG. In addition, Powernext operates the French registry of guarantees of origin for power and is therefore also active in the Environmental Products business area.

During the 2016 financial year, EEX acquired the remaining 48% of the shares in Cleartrade Pte Ltd. (CLTX) and is now the sole shareholder of that company. 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, 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.

In the 2016 financial year, EEX acquired, in total, two thirds of the shares in the Czech Power Exchange Central Europe a.s. (PXE). PXE operates the power spot, power derivatives and natural gas business fields in the Czech Republic and other eastern European countries and, in addition, also offers Market Data Services for these products.

In addition, EEX holds a 20% interest in European Market Coupling Company GmbH i.L. (EMCC), a company which provided market coupling for power between the Central West Europe region and Scandinavia until mid-2014, as well as a 12% interest in store-x Storage Capacity Exchange GmbH i.L. (store-x), an online platform for the trading of natural gas storage capacities. As at the reporting date, both entities are in liquidation.

SHAREHOLDER AND OWNERSHIP STRUCTURE

The subscribed capital of EEX consists of 40,050,000 registered no-par shares with a calculated nominal value of EUR 1 per share.

In 2011, Eurex Zurich AG became a majority shareholder in EEX AG with a current shareholding of 62.82%. It is the only shareholder which holds an interest of more than 10% in the capital of the company.

EEX shareholders (as at 31 December 2016)

| Shareholder | Country | Shareholding |
|---|---------|--------------|
| Eurex Zürich AG | CH | 62.82% |
| 50Hertz Transmission GmbH | D | 8.66% |
| LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH | D | 7.38% |
| Uniper Global Commodities SE | D | 5.67% |
| Free State of Saxony | D | 4.51% |
| EnBW Energie Baden-Württemberg AG | D | 3.30% |
| Enel Trade S.p.A. | I | 2.17% |
| MVV Energie AG | D | 0.99% |
| Edison S.p.A. | I | 0.76% |
| EDF Électricité de France | F | 0.67% |
| VERBUND Trading GmbH | A | 0.67% |
| DB Energie GmbH | D | 0.50% |
| Iberdrola Generación España, S.A.U. | E | 0.50% |
| Morgan Stanley Capital Group Inc. | UK | 0.50% |
| Naturkraft Energievertriebsgesellschaft m.b.H. | A | 0.50% |
| SWU Energie GmbH | D | 0.25% |
| City of Leipzig | D | 0.01% |
| Own shares of European Energy Exchange AG | D | 0.15% |

As at the reporting date (31 December 2016), EEX held its own shares corresponding to a calculated share of EUR 58,498 in the nominal capital.

At an extraordinary annual meeting of EEX held on 16 December 2016, it was resolved to increase the nominal capital of EEX from EUR 40,050,000 to up to EUR 60,075,000 by means of a cash contribution of up to EUR 20,025,000. The nominal capital was increased in return for the issue of up to 20,025,000 new, registered no-par value shares as non-voting preferential shares. During the subsequent subscription period, all new preferential shares were subscribed to by shareholders of EEX. With the capital increase and associated amendment of the articles of association having been registered in the commercial register on 10 February 2017, the nominal capital of EEX comprises EUR 60,075,000 EUR, divided into 40,050,000 registered, voting, no-par value shares ("ordinary shares") and 20,025,000 registered, non-voting no-par value shares ("preferential shares").

CORPORATE MANAGEMENT

As a German public limited company, EEX is comprised of 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, the 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 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 statement 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 at 31 December 2016, the Management Board of EEX consisted of seven members: in addition to the Chief Executive Officer (CEO), a Chief Financial Officer (CFO), a Chief Operations

Officer (COO, with responsibility for sales, internal processes and IT), a Chief Risk Officer (CRO), a Chief Strategy Officer (CSO), an Executive Director Power Spot Markets and an Executive Director Gas Markets are in charge of the company's operations.

Members of the EEX Management Board as at 31 December 2016:

| | |
|---|-------------------------------|
| 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, a Market Surveillance and a Sanctions Committee. The Exchange Council represents the trading participants' interests and is involved in all fundamental decisions of the exchange. Its tasks

EEX Group's strategic aim is to transform
into a global trading platform for commodities

include, in particular, the adoption of the rules and regulations of the exchange. The Exchange Council is also tasked with the supervision of the Management Board of the exchange and the appointment of 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 at 31 December 2016, the Management Board of the Exchange consisted of EEX's COO, CSO and its Head of Sales Power, Emissions & Training.

STRATEGY AND GROUP MANAGEMENT

STRATEGY

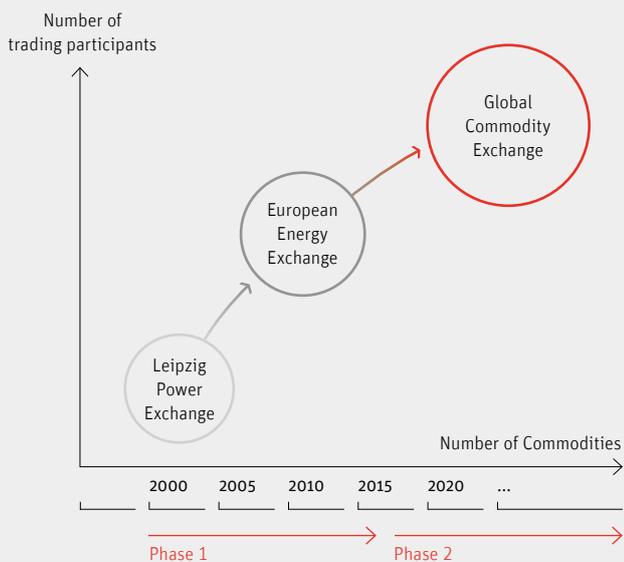
The market environment of EEX Group is shaped significantly by the following relevant trends:

- > Increasing maturity of energy trading in Europe;
- > Increased competitive and price pressures;
- > Growing customer demands;
- > Professionalisation of exchange platforms;
- > Amendments to existing, and introduction of new, regulatory measures.

The increasing standardisation of products, the market entry of globally operating exchanges and the substantial share of financial market players in trading all reflect the growing maturity of the markets. At the same time, competitive and price pressures are increasing. In the context of growing competition and technical progress, customers' requirements regarding product range, prices and technical standards have increased and have forced exchanges to continuously develop their offering. The market participants' growing risk awareness, 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, EEX Group has established itself as an integrated energy exchange in Europe with its "one-stop-shop" business model and successfully carried on developing its strategy of diversification.

The European markets still hold extensive growth potential for EEX Group. EEX Group pursues the strategic aim of transforming into a global trading platform for commodities based on its current market position as the leading European energy exchange.

Strategic Aim



In order to achieve this strategic aim, 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;
- > Continuation of its diversification strategy and growth in new business areas.

In this context, EEX Group was again able to successfully conclude non-organic growth initiatives in 2016, strengthening its position as a central market for energy, energy-related products and commodities in Europe. The most important strategic steps in 2016 included the majority acquisition of the Prague-based PXE power exchange which expanded the EEX Group offering with products for the Czech Republic, the Slovak Republic, Hungary, Poland and Romania, thereby establishing a presence in Eastern Europe beyond clearing services for the first time. In addition, the co-operation between Powernext and the Austrian CEGH regarding the joint development of the Austrian, Central and Eastern European gas markets (CEE region) as well as the complete take-over of the Danish Gaspoint Nordic gas exchange and, hence, the integration of the Danish gas market into the PEGAS gas trading platform, should be mentioned here.

As regards the continuous expansion of its core markets, EEX concentrates, in particular, on the following activities:

- > Further development of product offerings to complete the available range of maturity dates;
- > Development and implementation of product innovations and process optimisations;
- > Connection of further international participants;
- > Shifting of 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 2016 financial year are addressed in more detail in the section “Economic position”, under the sub-section “Business development”.

MANAGEMENT CONTROL

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

Net sales revenue consists of transaction revenue, other sales revenue, other operating income and variable costs. In this context, the main focus is on transaction revenue and variable costs. Transaction revenue comprises variable fees which are generated on the basis of the trading and clearing volumes realised. The variable costs correlate with the amount of the transaction fees and essentially include performance-related reimbursements for certain market participants, such as market makers, brokers or liquidity providers. Furthermore, some IT, index and balancing group contracts contain sales- or volume-based components which are part of the variable costs.

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

Economies of scale can be generated
as a result of EEX Group's cost structure

Approximately 86% of the total costs of EEX Group are fix costs (2015: 87%). As a result of this cost structure, EEX Group can generate economies of scale and therefore satisfactorily settle additional trading volumes 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 in respect of them. The high share of fix costs, on the other hand, 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 Group result generated, 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 result figures of EEX Group according to International Financial Reporting Standards (IFRS) and adjusted for the following two aspects:

- > Transaction-related one-off effects;
- > Profit shares (before tax) of non-controlling interests.

The corresponding values of the parameters for 2016 are explained in the section "Earnings position". Forward-looking statements on the parameters are provided in the "Outlook report" section.

EEX Group has an internal control system (ICS) which ensures process reliability and indirectly helps to attain the corporate aims. The ICS has been duly set up and is monitored by the Internal Auditing Department. Critical and important operational events are reported to the Management Board and the Supervisory Board regularly—and, if required, ad hoc (see also the chapter "Risk management" in this regard).

RESEARCH AND DEVELOPMENT

As a service-providing company, EEX Group does not engage in any research and development activities, which are for example common for similar manufacturing companies. New developments of products and services for 2015 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 CONDITIONS

ESSENTIAL FACTORS INFLUENCING EEX GROUP TRANSACTION REVENUE

The amount of EEX Group transaction revenue is influenced, in total, by three key factors—the size of the overall market, the market share held by EEX Group, and the fee structure. Market share and the fee structure are monitored in the context of the implementation of the group strategy and management control by focusing on growing market share and maintaining a competitive fee structure. In contrast, the size of the overall market cannot be influenced by 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 conditions.

PHYSICAL ENERGY CONSUMPTION AND MARKET MATURITY

According to calculations by the Working Group on Energy Balances (AGEB), physical energy consumption in Germany rose by 1.6% in 2016 as against 2015. This development was essentially driven by the colder weather in 2016, the leap day this year, and continuing favourable economic development and population growth, which was partly offset by the increases in energy efficiency in Germany. Moreover, it is highly probable that overall European physical energy consumption will again have increased in the 2016 financial year.

Natural gas consumption also increased during the past financial year. According to the quarterly report of the European Commission on the European gas markets, gas consumption stagnated in the first quarter of 2016, but rose by 9% and 3% respectively in the second and third quarters. Figures for the fourth quarter however were not yet available at the creation date of this management report.

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 is, the higher are the total trading volume and the liquidity of the market and, hence, its market maturity.

According to data from the European Union, the churn rate of the German power derivatives market increased significantly in the past and at a level of 18, it reached a new maximum value in the second quarter of 2016. Herewith, Germany is the most mature market. All other European power derivative markets show churn rates of 5 at the maximum. The churn rate of the French power derivatives market increased to a value of 3.5, in Italy it totals approximately 3. Within the gas market segment, the Dutch TTF (Title Transfer Facility) market area has the highest churn rate, followed by the British market area NBP (National Balancing Point). In 2015, churn rates amounted to 47.7 for TTF and 28.5 for NBP. Churn rates for 2016 were not yet available at the creation date of this management report.

PRICE DEVELOPMENT AND VOLATILITY ON THE ENERGY MARKETS

In the 2016 financial year the price decline on the commodity markets, already observed in previous years, essentially continued. While, in 2011, a price of EUR 51.12 per MWh was paid on the German Day-Ahead market for power, this price declined to EUR 28.98 per MWh in 2016 (2015: EUR 31.63 per MWh). In 2016, market participants who bought base-load power for 2017 on the derivatives market (Phelix Baseload Year Future) only had to pay EUR 26.58 per MWh on average (2015: EUR 30.97 per MWh). Moreover, the monthly EGIX gas price index had an average price level of EUR 14.13 per MWh during the reporting year and was, therefore, 31% below the 2015 level (EUR 20.46 per MWh). While the 2016 average prices were lower than the 2015 prices, commodity prices increased again during the financial year and, in part, concluded the year significantly above the annual average.

In general, the 2016 financial year was shaped by high volatility and strong price fluctuations, in particular on the power derivatives markets. Due to unscheduled production downtime of French nuclear power plants in the autumn and winter of 2016, significant price increases were observed on the power derivatives markets. High volatility usually has a positive effect on trading activity since in the event of a broader range of fluctuations in commodity prices there is a higher need for the adjustment of hedging positions.

Price development 2016 of the Phelix Baseload Year Future with delivery in 2017

EUR/MWh



Price development of the monthly EGIX gas price index

EUR/MWh



REGULATORY FRAMEWORK CONDITIONS

In 2016, the energy markets were again characterised by discussions regarding adjustments of existing measures, and the introduction of new regulatory measures. The most important projects for energy trading are or were:

- > The design and national implementation of the revised EU Markets in Financial Instruments Directive (MiFID II) and the associated EU MiFIR regulation and Regulatory Technical Standards (RTS) No. 20 and No. 21, which were published in December 2016, being particularly relevant in this respect;
- > The entry into force and the detailed design of the EU Benchmarking Ordinance with binding rules for the creation of indices which are used as reference values for market players in order to avoid conflicts of interest as well as manipulation and abuse;
- > Definition of the framework for the power market design with regard to the further integration or renewable energies, the flexibilisation of the market and ensuring security of supply;
- > The continuing critical discussion regarding the division of the German-Austrian price zone into two market areas as a result of network congestion and insufficient grid capacity;
- > The institutionalisation of the role of exchanges in market coupling with a guideline for the capacity allocation and congestion management (CACM).

The revised EU Markets in Financial Instruments Directive (MiFID II), which will take effect in January 2018, significantly changes the rules for trading in commodity derivatives. The general exception for commodity derivatives, which has applied so far, has been cancelled and 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 where a number of energy traders might be forced to reduce their trading activities (relative to their other activities) accordingly. In this regard, it has to be highlighted that after long discussions, the technical regulatory standards now establish that in assessing whether a company benefits from the ancillary activity exemption, the volume of trading transactions is compared in proportion to the invested capital of a company, e.g. in power plants (the designated “Capital Employed Test”). The smaller the share, the higher the likelihood of benefitting from the “ancillary activity exemption”. This takes account of the particularities of energy suppliers. However, it remains to be seen in practice how this exception will be used by market participants. In addition, 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. Compared with this, similar transactions which are concluded at 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 entail shifts in volumes from regulated markets to OTFs.

The benchmark regulation requires that the preparation and administration of indices classified as benchmarks should be made more transparent and that conflicts of interest should be avoided. The commodity benchmarks will also be part of the directive’s scope of application. Depending on the origin of the underlying data and market size, this will have effects on individual indices of EEX Group. As a neutral index provider, EEX Group is taking steps towards the group-wide implementation of the benchmark regulation.

After years of discussions, important strategic decisions regarding future power market design were taken in 2016. In Germany, the new electricity market law adopted in the summer of 2016 paved the way for the “power market of the future”. Based on market mechanisms and using the market price signal as a central coordinating instrument, the existing market design is sought to be optimised and made more

In Germany, the new electricity market law adopted in summer 2016 paved the way for the “power market of the future”

flexible. At the same time, a number of detailed regulatory specifications and implementation measures are required which in part conflict with a market-based approach. At the end of 2016, the EU Commission also presented proposals for the further development of the power market in the context of its designated “Winter Package”. In addition to addressing fundamental questions of market design, these proposals also concern cross-border trading as well as the promotion and integration of renewable energies. These proposals will now go through the proper EU legislative procedure. Concrete results and legally binding decisions can be expected, at the earliest, in 2018.

The debate regarding the re-structuring 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, both the federal government together with the Federal Network Agency and the European Agency for the Cooperation of Energy Regulators (ACER) have advocated the introduction of congestion management at the German-Austrian border, which would amount to a de-facto separation of the current common price zone. At present, talks involving the transmission system operators and power exchanges are underway in order to prepare for such a step. As seen from the perspective of EEX Group, care has to be taken to ensure that a division—if indeed it is actually carried out—is designed in such a way as to minimise any possible effect on the market.

Originally, the guideline for capacity allocation and congestion management (CACM) was designed to facilitate a stronger cross-border co-operation between the respective transmission system operators, and in the form of a non-binding technology and operations guideline. In 2015, this guideline took effect and, essentially, pursues three aims:

- › Promoting competition at all levels of the value chain and creating the necessary framework;
- › Optimum use of transmission infrastructure;
- › Ensuring security of supply.

For the exchanges, CACM is of great importance, in particular because it introduces a new concept: the “nominated electricity market operator” (NEMO). This helps to institutionalise the role of the 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 are also submitted to a review and developed further if required. As a result, new rules for the cooperation between NEMOs and transmission system operators are introduced and a system is created which also permits NEMOs to actively operate in other member states. In particular, in the future, exchanges will be regulated 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 concrete effects of the individual regulatory measures on the markets of EEX Group and on the activity of trading participants are explained in more detail in the “Risk and opportunities report”.

BUSINESS DEVELOPMENT

OVERVIEW OF BUSINESS DEVELOPMENT IN 2016

Thanks to the successful development of all business areas, EEX Group was able to continue its expansion strategy in the 2016 financial year. In almost all areas of business, significant growth rates were generated as against 2015. In addition to the increase in trading volumes and market shares, growth was, in part, also due to the full-year effect of the APX integration as well as the expansion of the scope of the consolidation of EEX Group with the Prague-based power exchange PXE, the Danish gas exchange Gaspoint Nordic and PCG, a joint venture with the CEGH, that runs the Austrian gas market.

In 2016, the sales revenue figures for the individual business areas were as follows:

Sales revenue per business area

| kEUR | 2016 | Share | 2015 | Change |
|-----------------------------------|----------------|-------------|----------------|-------------------|
| Power Derivatives | 87,206 | 37% | 60,006 | +45% |
| Power Spot | 67,534 | 29% | 63,393 | +7% |
| Natural Gas | 32,846 | 14% | 21,132 | +55% |
| Market Data Services | 5,019 | 2% | 3,745 | +34% |
| Environmentals | 2,479 | 1% | 1,590 | +56% |
| Clearing Services | 1,727 | 1% | 1,964 | -12% ² |
| Global Commodities | 501 | 0% | 1,157 | -57% |
| Agriculturals | 326 | 0% | 217 | +50% |
| Other revenues: | | | | |
| Annual fees | 14,152 | 6% | 12,161 | +16% |
| Technical connections | 8,790 | 4% | 7,926 | +11% |
| Services to third parties | 5,488 | 2% | 4,306 | +27% |
| Refunds of project costs | 3,754 | 2% | 4,960 | -24% |
| Fix revenues from market-coupling | 2,962 | 1% | 4,055 | -27% |
| Others | 1,373 | 1% | 3,811 | -64% |
| Sales revenue | 234,158 | 100% | 190,424 | +23% |

² The decline in the business area of Clearing Services is due to the expansion of the scope of the consolidation of EEX Group and the associated transfer of the markets of PXE, Gaspoint Nordic und CEGH to the business areas of power spot, power derivatives and natural gas. The remaining business of clearing services increased in the 2016 financial year.

POWER DERIVATIVES

The Power Derivatives business area developed extremely positively in the 2016 financial year. Thanks to a growing overall market—e.g. on account of temporarily very high rates of volatility—combined with a growing market share, EEX Group

The Power Derivatives business experienced an extremely positive development throughout the 2016 financial year

achieved a new record in traded volumes. At the same time, diversification within individual products was promoted further. More than 27% of trading volumes in power derivatives (futures and options) were generated in products for market areas outside of Germany.

Power Derivatives trading volumes

| TWh | 2016 | 2015 | Change |
|--------------------------|--------------|--------------|-------------|
| Futures | 3,708 | 2,469 | +50% |
| Germany/Austria | 2,665 | 1,747 | +53% |
| Italy | 481 | 396 | +21% |
| France | 454 | 299 | +52% |
| Spain | 72 | 22 | +219% |
| Eastern Europe | 17 | <1 | >+1,000% |
| Others | 20 | 5 | +316% |
| Options | 212 | 68 | +212% |
| Power Derivatives | 3,920 | 2,537 | +55% |

Selected Power Derivatives market shares

| % | 2016 | 2015 |
|-------------------------|------|------|
| Futures Germany/Austria | 37 | 31 |
| Futures Italy | 63 | 49 |
| Futures France | 33 | 24 |
| Power Derivatives (all) | 30 | 24 |

In the past financial year, EEX Group again supported its growth through the introduction of new products. For example, further short-term products (day respectively week futures) for the market areas Italy, France, the Netherlands, Switzerland and the Nordic countries were introduced. As a result, EEX Group contributed to strengthening the liquidity of these market areas. Further, these product launches also pursue the strategic aim of expanding the product portfolio for all market areas and of completing the offering in European energy trading.

In response to the enduring challenges of the energy transition, EEX Group is constantly working on innovations, e.g. in the context of product development, in order to comply with the requirements of the market. For example, after the Intra-day Cap Futures, with the Wind Power Futures a second specific “Energiewende” product was introduced in the autumn of 2016. By means of Wind Power Futures, market participants can hedge volume risks which arise from the fluctuating feed-in of wind power in a focused manner.

In addition, EEX Group further promoted the expansion of the power derivatives market. After the acquisition of the majority shareholding in PXE, products are now also offered in the market areas of the Czech Republic, Slovakia, Hungary and Poland for the first time. Furthermore, exchange trading in Romanian power futures is now also possible via PXE—in addition to the possibility of Trade Registration, which has existed for a longer period.

EEX Group faces unchanged and strong competition on the power derivatives market. More than one half of trading is still carried out via over-the-counter broker platforms, even though their market share has declined compared with the previous year. The remaining trading volume is distributed over several energy exchanges. Apart from EEX Group, these essentially consist of the global exchange operators NASDAQ OMX, CME and ICE as well as smaller national energy exchanges. In the competition among these exchanges, EEX Group was able to prevail and expand its leading position, in particular, with regard to its main competitor NASDAQ OMX. Despite new market entrants and, in part, aggressive pricing policies, the competitor exchanges were not able to fundamentally improve their market positions.

POWER SPOT

EEX Group was also able to increase its trading volumes within the Power Spot business area as against the previous year. This was supported by the full-year effect of the APX

Trading volumes within the Power Spot business area have also increased compared to the previous year

markets, which were integrated into EPEX as of 4 May 2015 (Day-ahead markets and Intraday markets in the Netherlands, Belgium and the United Kingdom). The German Day-ahead market recorded declines in volume. However, these were overcompensated for by the growth generated in the other market areas.

Power Spot trading volumes

| TWh | 2016 | 2015 | Change |
|-------------------|------------|------------|------------|
| Day-ahead markets | 474 | 472 | +0% |
| Germany | 235 | 264 | -11% |
| France | 111 | 106 | +4% |
| United Kingdom | 44 | 34 | +29% |
| Netherlands | 35 | 28 | +24% |
| Others | 49 | 39 | +27% |
| Intraday markets | 62 | 53 | +17% |
| Germany | 39 | 37 | +6% |
| United Kingdom | 14 | 9 | +48% |
| France | 4 | 4 | +9% |
| Netherlands | 1 | 1 | +56% |
| Others | 4 | 3 | +52% |
| Power Spot | 535 | 524 | +2% |

Moreover, trading volumes have benefited from the transmission system operators' obligation to market quotas of power from renewable energies on a power exchange and from direct marketing. The obligation to market quotas was established in the context of the German Renewable Energies Law (EEG), which took effect in 2010, and is specified in more detail in the Ordinance on a Nationwide Equalisation Scheme (AusglMechV). Since 2010, the transmission system operators (TSO) have had to market EEG power which is subsidised with a fixed feed-in tariff on the exchange and, in return, receive a levy from the supply company in accordance with AusglMechV. In addition, the Power Spot business area benefited from direct marketing, which was introduced in 2012. This permits the sale of EEG power outside the fixed feed-in tariff. There is no obligation to market power through an exchange. However, on account of the high liquidity for example, EEX Group was able to establish itself as a strong market platform in this respect.

Within the Power Spot business area, the Intraday markets continue to gain in importance even though volumes are still low in absolute terms when compared with the Day-ahead markets. This trend is primarily due to the growing importance of digitalisation and the fluctuating supply of renewable energies. This, in turn, results in an increased demand for short-term balancing options for balancing group managers.

In the 2016 financial year, the integration of APX into the EEX Group was further promoted. For example, the APX clearing business was taken over by ECC on 31 March 2016. The Intraday markets in the Netherlands and Belgium were migrated to EPEX systems in the fourth quarter; migration of the remaining APX markets is also envisaged.

In the context of further development of the Power Spot business area, the first auction for generation capacity certificates in France was carried out in 2016 and the coupling of the European power markets was expanded to the Austrian-Slovenian border. Furthermore, the Serbian Day-ahead market was launched successfully by SEEPEX, a joint venture between EPEX and the Serbian transmission system operator, Elektromreža Srbije (EMS). After the acquisition of the majority shareholding in PXE, EEX Group also launched tender services in the Czech Republic in 2016.

EEX Group directly competes with other spot exchanges within the power spot business area. In the United Kingdom, short-term trading in power is, in addition to EPEX, also offered by N2EX, a subsidiary of the second-biggest European power spot exchange, the Norwegian Nord Pool Spot. In 2016, N2EX had a market share of 63%, while EPEX's market share amounted to 37%. Nord Pool Spot is also active in the German market area where it offers Intraday products, and is currently admitted for all other relevant market areas of EEX Group. As a result of the further liberalisation of the market and regulatory changes (CACM), overall competition intensified and is expected to further intensify in the future.

NATURAL GAS

In 2016, the Natural Gas business area made a significant contribution to the growth of EEX Group and established itself as a second important revenue mainstay, in addition to the power markets. In almost all market areas, two-digit growth rates were achieved both on the spot and on the derivatives market. On the spot market, this growth was essentially based

The Natural Gas business area made a significant contribution to the growth of EEX Group in 2016

on gains in market share, while the overall market itself grew only slightly. However, on the derivatives market, the growth in trading volumes is essentially due to growth of the overall market, in addition to the growing market shares of EEX Group. On the French gas derivatives market alone, declining volumes were observed because of declining market share.

Natural Gas trading volumes

| TWh | 2016 | 2015 | Change |
|--------------------|--------------|--------------|-------------|
| Spot market | 653 | 441 | +48% |
| Germany | 295 | 195 | +51% |
| Netherlands | 183 | 124 | +47% |
| France | 137 | 117 | +17% |
| Others | 38 | 5 | +644% |
| Derivatives market | 1,091 | 584 | +87% |
| Netherlands | 893 | 429 | +108% |
| Germany | 129 | 97 | +33% |
| France | 43 | 51 | -15% |
| Others | 26 | 8 | +230% |
| Natural Gas | 1,744 | 1,025 | +70% |

Selected Natural Gas market shares

| % | 2016 | 2015 |
|--------------------------------|------|------|
| Spot market Germany | 36 | 29 |
| Spot market Netherlands | 25 | 18 |
| Spot market France | 75 | 67 |
| Spot market (all) | 26 | 18 |
| Derivatives market Netherlands | 4 | 2 |
| Derivatives market Germany | 6 | 5 |
| Derivatives market France | 10 | 13 |
| Derivatives market (all) | 3 | 1 |

In the 2016 financial year, the geographic growth of the gas markets of EEX Group was promoted by the acquisition of a majority shareholding in PXE and Gaspoint Nordic as well as the newly established joint venture PCG. As a result, products in the gas market areas in Denmark, Austria and the Czech Republic are now offered to EEX Group customers for trading, in addition to the products already offered in nine gas market areas in six countries in 2015. With the exception of the Czech products, all gas products can be traded via the PEGAS trading platform operated by Powernext.

In addition to geographical expansion, measures were taken to further improve the offering and, as a result, increase customer benefit within the existing product portfolio. For example, an action plan for the Dutch derivatives market, which further boosted liquidity in this market, was implemented at the beginning of the year. Among other measures, the fee for the physical settlement of futures was lowered, trading hours were extended and additional maturities were offered. In addition, new technical connection solutions were created and additional risk tools were introduced. Furthermore, various services were expanded in the German and French gas market areas.

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 off-exchange via brokerage platforms. The remainder of trading is distributed across EEX Group, the CME and ICE exchanges as well as smaller national energy exchanges. So far, NASDAQ OMX has been unable to generate trading volumes on EEX Group gas markets. While EEX Group is the exchange with the by far biggest trading volumes on the spot markets, ICE has the biggest market share in exchange trading on the derivatives markets. There is growth potential for EEX Group, in particular, because of the fact that the Dutch market area replaced the British market area as the biggest market in 2015. While the shrinking British market is dominated by ICE and brokers, EEX Group can benefit from growth and the shift of trading activities to the Dutch market.

FURTHER AREAS OF BUSINESS

Market Data Services

The essential task of the Market Data Services business area 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 EEX Group.

The information product offering is used to market data which is generated in the course of trading activities within 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 2016, EEX Group was able to further increase revenue from information products compared with previous years.

Transparency services focus on the publication of insider information and fundamental data on the “Transparency in Energy Markets” platform in the context of the European Regulation on Wholesale Energy Markets Integrity and Transparency (REMIT). This offering is a central element for EEX Group in order to give every trading participant the possibility to publish insider information on the one hand and establish individual trading platforms as transparent market platforms on the other. In the 2016 financial year, the transparency data offering was expanded to include data on power generation and gas consumption in Italy. As a result, transparency data regarding eight European countries are now published. Furthermore, EEX Group has also offered its customers weather data in the form of actual and forecast temperatures since 2016.

The area of regulatory reporting 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, 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. After its launch in November

The regulatory reporting developed very positively—in 2016 it contributed more than 40% of the revenues in the Market Data segment

2015, regulatory reporting developed very positively and currently contributes to more than 40% of the revenues of the Market Data Services business area.

Environmentals

Within the Environmental Products business area, EEX Group was able to continue its growth strategy following growing trading volumes of emission allowances both on the primary and on the secondary market. While primary market auction volumes are determined by the EU, EEX Group benefitted from a growing overall market on the secondary market combined with constantly growing market share. During the financial year, trading in guarantees of origin came to a halt.

Environmentals trading volumes

| Various units | 2016 | 2015 | Change |
|---------------------------------|------|------|--------|
| Emission allowances (Mio. t) | 950 | 678 | +40% |
| Primary auctions (spot) | 640 | 572 | +12% |
| Secondary trading (spot) | 51 | 41 | +25% |
| Secondary trading (derivatives) | 258 | 65 | +299% |
| Guarantees of origin (GWh) | 0 | 60 | -100% |

On behalf of the European Commission, new emission allowances for all member states are introduced to the market via auctions (primary auctions). The 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 EEX Group provides auctions for all other EU member states. Last year, the respective underlying contracts were extended for a period of up to five years.

In the secondary trading of emission allowances, the market is dominated by ICE which settles 90% of the market. The remaining trading volumes are essentially generated by brokers and by EEX Group, which, as a result, forms the third-biggest trading platform on the secondary market. In this respect CME and NASDAQ OMX play only a subordinate role. In order to further enhance its position on the secondary market, EEX Group has expanded its offering in the past financial year. For example, on the derivatives market additional maturities beyond 2020 as well as options were introduced for trading. On the spot market, registration of over-the-counter transactions for clearing was simplified through the introducing “Straight-Through-Processing” (STP).

Clearing Services

The Clearing Services area includes clearing for those partner exchanges that are not part of EEX Group. Following the full consolidation of PXE (from 1 June 2016) and of Gaspoint Nordic (from 1 July 2016) as well as the take-over of the CEGH gas markets into EEX Group (from 1 December 2016), the Hungarian HUPX and the Norwegian NOREXECO remain in this business area as partner exchanges of ECC. As a result of these changes during the year, a comparison with the previous year is not particularly meaningful. The volumes from clearing and settlement of trades for the remaining partner exchanges have increased as against the previous year.

Clearing Cooperation volumes

| Various units | 2016 | 2015 | Change |
|--|------|------|--------|
| HUPX (TWh) | 26 | 22 | +22% |
| NOREXECO (k t) | 63 | 0 | n/a |
| PXE (until 31/05/16) (TWh) | 19 | 36 | |
| Gaspoint Nordic (until 30/06/16) (TWh) | 13 | 17 | |
| CEGH (until 30/11/16) (TWh) | 29 | 27 | |

In the past business year, new markets and services were developed for the business area of Clearing Services. For example, the Hungarian Intraday market for power was launched together with HUPX and new maturities for pulp futures were introduced in collaboration with NOREXECO.

Global Commodities

Within the Global Commodities area, EEX Group generated significant growth rates in the volumes traded. While freight products (to date the most profitable product group in this business area) were traded to approximately the same extent as in 2015, trading volumes in iron ore, fuel oil and other products increased significantly. Trading in container capacities came to a standstill in the 2016 financial year.

Global Commodities trading volumes

| Various units | 2016 | 2015 | Change |
|------------------------------------|---------|---------|--------|
| Freight (futures/options) (k days) | 438 | 449 | -3% |
| Iron ore (k t) | 315,621 | 204,188 | +55% |
| Fuel oil (k t) | 4,703 | 3,432 | +37% |
| Container (Standard container) | 0 | 40 | -100% |
| Others (k t) | 1,785 | 1,636 | +9% |

In addition to the expansion of the CLTX offering, EEX also improved its offerings in the area of Global Commodities. For example, options on freight, futures on iron ore and additional maturities for coal futures were introduced. In the freight segment, in particular, use of the EEX Trade Registration service increased significantly, thanks to the market initiative launched in 2016.

Agriculturals

EEX Group was also able to grow in the agricultural segment in the 2016 financial year. Two-digit growth rates were reached in trading in futures on processing potatoes and dairy products.³ Trading volumes in futures on hogs and piglets as well as fertilisers declined; however, sales revenue in this business area grew overall.

Agriculturals trading volumes

| Various units | 2016 | 2015 | Change |
|---------------------------------|--------|--------|--------|
| Processing potatoes (Contracts) | 39,420 | 31,809 | +24% |
| Dairy products (Contracts) | 16,410 | 4,707 | +249% |
| Hogs and piglets (Contracts) | 8 | 48 | -83% |
| Fertiliser (k t) | 1,802 | 2,486 | -28% |

Trading and clearing participants

The table below shows the trading participants per exchange (without eliminating overlappings) as at 31 December 2016:

Trading participants per exchange

| | 2016 | 2015 | Change |
|---|------|------|--------|
| EEX | 246 | 233 | +6% |
| EPEX (incl. APX) | 278 | 284 | -2% |
| Powernext (incl. Gaspoint Nordic and PCG) | 232 | 196 | +18% |
| CLTX | 74 | 66 | +12% |
| PXE | 45 | n/a | n/a |

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

In September 2016, ECC launched a new membership model – the Direct Clearing Participant Model (DCPM) – for certain spot markets. This model grants trading participants direct

Since September 2016 ECC has been offering a new membership model for certain spot markets – the Direct Clearing Participant Model (DCPM)

access to trading and clearing on the spot markets without the need for connection to a Clearing member. This gives, in particular, smaller trading participants easier access to EEX Group spot markets. The DCPM was initially introduced for the Dutch and Belgian power spot markets and then expanded to markets in France, Germany, Switzerland and Austria.

As at the reporting date (31 December 2016), 23 Clearing Members (20 General Clearing Members and three Direct Clearing Members) were registered – which is equal to the 2015 reporting date. In the course of the year, two new Clearing Members were admitted, while two Clearing Members left. As at the end of the year, there were 526 clearing participants (including Non-Clearing Members) (2015: 428).

³ These products have been offered by EEX Group for trading since 11 May 2015.

EARNINGS POSITION

The successful growth of EEX Group trading volumes is reflected accordingly in its earnings. In the past financial year, EEX Group sales revenue was kEUR 234,158 and therefore increased by kEUR 43,734 or 23%. Revenue growth was accompanied by disproportionately growing costs so that the resulting operating result of kEUR 87,129 was kEUR 37,749 (76%) above the previous year's figure. As a result of a consolidation-related one-off effect in the financial result in 2015, the 2016

consolidated net profit of the period (kEUR 57,731) can only be compared with the value for the previous year to a limited extent. The adjusted growth was kEUR 27,610 (92%).

The profit and loss account for 2016 includes the values for the PXE, Gaspoint Nordic and PCG subsidiaries, which were newly consolidated in the financial year for the first time. Since the effect of these values on the profit and loss account for the financial year is minor, the consolidation-related effects are not addressed separately below.

Consolidated statement of profit or loss

| kEUR | 2016 | 2015, adj. ⁴ | 2015 |
|--|----------------|-------------------------|----------------|
| Sales revenue | 234,158 | 190,424 | 190,424 |
| Net income from banking transactions | -59 | 396 | 396 |
| Other operating income | 2,856 | 3,115 | 3,115 |
| Volume-related costs | -21,218 | -20,266 | -20,266 |
| Net revenue | 215,736 | 173,669 | 173,669 |
| Staff costs | -52,898 | -47,125 | -47,125 |
| Depreciation, amortisation and impairment losses | -12,331 | -20,936 | -20,936 |
| Other operating expenses | -63,378 | -56,228 | -56,228 |
| Operating result | 87,129 | 49,380 | 49,380 |
| Financial result | 472 | 311 | 50,035 |
| Income from at-equity investments | 28 | 46 | 46 |
| Result from ordinary business activities | 87,629 | 49,737 | 99,461 |
| Income tax expense | -29,898 | -19,615 | -20,411 |
| Consolidated net profit for the period | 57,731 | 30,121 | 79,050 |

⁴ Adjusted by the one-off effect from the disclosure of hidden reserves in the context of the acquisition of control of EPEX in the 2015 financial year

SALES REVENUE AND NET REVENUE

EEX Group's sales revenue consists of transaction fees from trading, clearing and settlement of transactions and other sales revenue. The development of the sales revenue reflects 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 -59), other operating income (kEUR 2,856) and variable costs (kEUR -21,218). During the financial year, variable costs rose by kEUR 952 and, as a result, developed at a disproportionately low rate compared to sales revenue. Therefore, strong business growth could—at least on average—be achieved without significant additional performance-related reimbursements to trading participants. In the past financial year, net revenue totalled kEUR 215,736, which is kEUR 42,067 (24%) above the previous year's figure.

EXPENSES

During the reporting period, total expenses included in the operating result (staff costs, depreciation, amortisation and impairment losses and other operating expenses) rose from kEUR 124,289 to kEUR 128,607 and, hence, by 3%.

In this context, staff costs rose to kEUR 52,898 (2015: kEUR 47,125) on account of the planned increase in staff and the integration of PXE and Gaspoint Nordic employees during the reporting period.

At kEUR 12,331, depreciation, amortisation and impairment losses were kEUR 8,605 below the level of the previous year. This was caused by an impairment loss of kEUR 9,276 to the lower fair value of the goodwill and net assets of CLTX in the 2015 financial year. Adjusted for this effect, depreciation/amortisation increased by kEUR 671. On the one hand, this reflects the enduring high investment in the IT systems of EEX Group. On the other hand, it also reflects 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 allocation for the newly consolidated companies.

Other operating expenses, at kEUR 63,378, increased by kEUR 7,150 or by 13% as against the previous year. This included for example, other expenses for the further development and operation of 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 sites and offices of EEX Group, as well as travelling expenses which are primarily incurred in the context of sales activities. The increase in other operating expenses was essentially due to:

- > The implementation of resource-intensive projects, in particular, in the power spot business area;
- > The further integration of the subsidiaries added in 2015 and 2016 and, in particular, the integration of APX into EPEX, as well as the strengthening of EEX as a group;
- > 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;
- > Growth of the entire corporate group and the resulting increase in costs for infrastructure and travelling activities.

FURTHER REVENUE ITEMS

In the past financial year, the financial result was kEUR 472 and, hence, kEUR 161 higher than the adjusted value for the previous year. The non-adjusted value for the previous year included kEUR 49,724 from the disclosure of hidden reserves associated with obtaining control of EPEX in the financial year 2015.

Income from at-equity investments (kEUR 28) includes income of the shareholdings reported in the balance sheet in accordance with the at-equity method within EEX Group. It includes the result of Gaspoint Nordic up to (and including) 30 June 2016 and of SEEPEX, a joint venture in which EPEX holds an interest.

SIGNIFICANT INCREASE IN EARNINGS FIGURES

At kEUR 87,629, earnings before taxes (EBT) were kEUR 37,892 or 76% higher than the adjusted value for the previous year (kEUR 49,737). After the deduction of income taxes (kEUR 29,898), consolidated net profit was kEUR 57,731.

In the past financial year, the parameter of the “adjusted EBT”, which was introduced in the section “Management control” above, reached a value of kEUR 72,598 (2015: kEUR 34,601) and, hence, more than doubled within a period of one year. In addition to the growth of the power derivatives markets and of the gas markets, this is also due to the full-year effect of the integration of APX as well as the integration of the new subsidiaries in the 2016 financial year.

As a ratio of earnings before taxes to sales revenue, the EBT margin was 37% and, therefore, 11% higher than the level of the previous year after adjustment for one-off effects.⁵ This development confirms the scalability of the EEX Group business model.

At 36%, the equity ratio before taxes increased significantly as against the previous year (22%). It is calculated from the result of ordinary business activities in proportion to the equity base of the group at the beginning of the reporting period.

⁵ In the management report regarding the previous year, an EBT margin of 30% was specified. Due to the switch in the calculation system from EBT/total revenues to EBT/sales revenue as well as the adjustment for one-off-effects, there is now a comparative value of 26% for the previous year.

ASSET POSITION

Consolidated statement of financial position of EEX Group

| kEUR | 31/12/2016 | 31/12/2015 |
|-------------------------------------|------------------|------------------|
| ASSETS | | |
| Non-current assets | 218,862 | 185,441 |
| Current assets | 3,502,375 | 1,737,096 |
| Total assets | 3,721,238 | 1,922,537 |
| LIABILITIES | | |
| Equity | 283,846 | 244,323 |
| Long-term liabilities | 63,835 | 40,775 |
| Short-term liabilities | 3,373,557 | 1,637,439 |
| Total equity and liabilities | 3,721,238 | 1,922,537 |

DEVELOPMENT OF ASSETS

As at 31 December 2016, the non-current assets of EEX Group were kEUR 218,862 (2015: kEUR 185,441). They essentially consist of intangible assets (kEUR 116,387), goodwill (kEUR 57,257), derivative financial instruments (kEUR 31,388) and deferred tax assets (kEUR 10,044). The increase in non-current assets is primarily driven by the following:

- › Increase in derivative financial instruments by kEUR 26,915: This concerns options with a due date of more than one year which are cleared by ECC and were recognized at fair value. The fair value is determined with the help of the current exchange price of the open positions. Since ECC operates as the central counterparty for the different markets of EEX Group, there is a liability of the same value as this asset. The growth in this position reflects the positive development of options trading within the entities of EEX Group.
- › Growth of goodwill by kEUR 5,182: In addition to the goodwill recognized with the acquisition of the majority shareholdings in EPEX, APX and Powernext in the financial year 2015, this position also includes the goodwill of ECC and EPD. The increase in the past financial year is due to the new subsidiaries PXE and Gaspoint Nordic being integrated into EEX Group as well as the gas business acquired from CEGH.

- > Growth of intangible assets by kEUR 2,623: The increase in intangible assets is essentially due to the current investments into the IT systems of the group.

The assets side of the balance sheet is largely shaped by current assets of kEUR 3,502,375 (2015: kEUR 1,737,096). These comprise, first and foremost, restricted bank balances (kEUR 2,973,739), trade receivables (kEUR 376,658) and other cash and bank balances (kEUR 127,115). There were essential changes in current assets with regard to the following items:

- > Increase in restricted bank balances by kEUR 1,652,690. This concerns the cash collateral deposited by clearing participants in connection with the ECC clearing business. This cash collateral increased accordingly as a result of the increasing scope of business of EEX Group. However, this asset is offset by a liability having the same value.
- > Growth in trade receivables by kEUR 106,733: This item essentially includes receivables from the physical fulfilment of power and gas contracts by ECC Luxembourg on account of the reporting date, which also increased as against the previous year in line with the business development. In this case too, there is a liability having the same value on the liabilities side of the balance sheet. This item also confirms the successful expansion of the operations of EEX Group.

DEVELOPMENT OF EQUITY AND DEBT

The assets of EEX Group were financed through equity of kEUR 283,846 (2015: kEUR 244,323) as well as debt of kEUR 3,437,392 (2015: kEUR 1,678,214). The debt consisted of long-term liabilities of kEUR 63,835 (2015: kEUR 40,775) as well as short-term liabilities of kEUR 3,373,557 (2015: kEUR 1,637,439).

The increase in equity during the past financial year reflects the fact that the 2015 profits were partially retained. As a result, reserves increased by kEUR 43,240. At the same time, the non-controlling interests declined by kEUR 3,522 during the reporting year. The subscribed capital is kEUR 39,992 without change, and the capital reserve is kEUR 10,000.

As at the reporting date, long-term liabilities largely consisted of derivative financial instruments (kEUR 31,388) and deferred tax liabilities (kEUR 30,911). In addition, it included long-term provisions and long-term liabilities. The increase in long-term liabilities essentially reflects the development of options trading at the entities of EEX Group which is also reflected accordingly on the assets side of the balance sheet in the derivative financial instruments with an increase of kEUR 26,915. At the same time, long-term liabilities and provisions declined by kEUR 2,623 and deferred tax liabilities reduced by kEUR 1,233.

Short-term liabilities are shaped to a significant degree by the trading participants' cash deposits of kEUR 2,973,739 and trade payables of kEUR 359,459. Furthermore, short-term liabilities include other liabilities, short-term provisions, derivative financial instruments as well as other banks and overdrafts. The increase in short-term liabilities is largely influenced by the following:

- > Increase in trading participants' cash deposits by kEUR 1,652,690: This is the opposite position to the restricted bank balances on the current assets side.
- > Increase in trade liabilities by kEUR 109,065: This position forms the opposite position to the balancing date-specific recognition of accounts receivable from the physical fulfilment of power and gas contracts by ECC Luxembourg on the assets side. The remaining increase in trade payables is due to the expansion of the operations of EEX Group.
- > Decline in other bank loans and overdrafts by kEUR 41,733: In the past financial year, the external credits which had been used as at the reporting date in the previous year were fully repaid.

ADJUSTMENT OF 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'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. Below, the balance sheet total after adjustment for these positions is established, on the basis of which valid parameters for the evaluation of the capital structure and profitability of EEX Group are determined. On the one hand, there is a restricted bank balance of kEUR 2,973,739 (2015: kEUR 1,321,049), while, 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 329,549 (previous year: kEUR 244,843) were included. This concerns the reporting date-specific recognition of receivables and liabilities from the nomination 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 sides at kEUR 41,957 (2015: kEUR 6,615). After the deduction of these items, the adjusted balance sheet total at the end of the period under review was kEUR 375,993 (2015: kEUR 350,030) and the equity ratio on the reporting date was 75% (2015: 70%). The equity ratio, which continues to be high, underlines the high profitability of EEX and that its financing strategy, in principle, is aligned towards maximum independence from outside creditors.

The debt ratio, being the proportion of long-term and short-term debt in the adjusted balance sheet total, fell to 25% (2015: 30%). The Group was able to cover all expenses on the basis of its financial resources and current income at all times during the year. The external credits taken out in the previous financial year were repaid, but the credit lines 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 statement of cash flows of EEX Group

| kEUR | 2016 | 2015 |
|---|----------------|---------------|
| Change in scope of consolidation | 2,355 | 21,118 |
| Cash flow from operating activities | 92,951 | 39,530 |
| Cash flow from investing activities | -23,871 | -49,250 |
| Cash flow from financing activities | -24,811 | -4,325 |
| Cash-effective change in cash and cash equivalent | 46,623 | 7,073 |
| Cash and cash equivalent at the beginning of the accounting period | 80,474 | 73,401 |
| Cash and cash equivalent at the end of the accounting period | 127,097 | 80,474 |

As at the reporting date, the cash and cash equivalent of EEX Group was kEUR 127,097, which corresponds to an increase of kEUR 46,623 as against the previous year (kEUR 80,474). Cash and cash equivalent comprises cash in hand, cash at bank and financial investments available at short notice reduced by short-term liabilities to banks from credits.

The growth in cash and cash equivalent was driven by cash flow from current operations of kEUR 92,951 as well as the expansion of the scope of the consolidation with PXE, Gaspoint Nordic and PCG (effect: kEUR 2,355). Cash outflows of funds from investing and financing activities of EEX Group of kEUR -23,871 and kEUR -24,811 were financed from this source.

The cash flow from current operations comprised the annual net profit generated (kEUR 57,731) after adjustment for non-cash-effective income and expenses during the reporting period. These amount to kEUR 35,220 and essentially include depreciation/amortisation and changes in receivables, liabilities and provisions.

The funds paid for investing activities of EEX Group during the reporting year include investments in intangible assets and, in particular, the IT infrastructure of EEX Group (kEUR 9,696) as well as investments in property, plant and equipment (kEUR 1,035). This category also includes payments for the acquisition of shareholdings in subsidiaries. These concern PXE, Gaspoint Nordic, PCG and CLTX and amount to kEUR 13,431. In addition, EEX Group received payments of, in total, kEUR 291 from associates and dividends.

The cash flow from EEX Group financing activities, on the one hand, included the dividend payment to the EEX shareholders (kEUR -7,198) and, on the other hand, it also included the outflow of funds to minority shareholders of kEUR -8,371 (net) as well as the payback of funds received in 2015 for short-term financing (kEUR -9,242).

On account of its sufficient financial resources, sound internal financing power, the approved capital increase and credit lines which were available to a sufficient extent, as in previous years EEX Group does not expect any liquidity shortfalls for the financial year 2017. As a result, it will again be able to carry out the planned investments required to maintain and continue to expand its good competitive position in the future.

EMPLOYEES

EEX Group's competent and dedicated workforce forms an important basis for its commercial success and further growth. EEX Group has an international team of employees with members from 29 nations. As at 31 December 2016, EEX Group employed 453 members of staff at 15 sites—up from 421 employees as at the 2015 reporting date and an increase of 8%. The increase in the workforce is also due to the new companies included in the scope of consolidation. As at the reporting date, 8 PXE employees and 2 Gaspoint Nordic employees were part of EEX Group for the first time.

Employees of EEX Group

| | 2016 | 2015 | Change |
|------------------|------------|------------|------------|
| EEX | 148 | 126 | +17% |
| ECC | 58 | 43 | +35% |
| EPD | 18 | 15 | +20% |
| CLTX | 11 | 20 | -45% |
| EPEX (incl. APX) | 160 | 173 | -8% |
| Powernext | 48 | 44 | +9% |
| PXE | 8 | n/a | n/a |
| Gaspoint Nordic | 2 | n/a | n/a |
| Total | 453 | 421 | +8% |

As at the reporting date, 41% of the company's employees were women. Overall, women held 19 of the executive positions (30%) within EEX Group (2015: 32%).

In 2016, EEX Group set up a group-wide staff department. In the next financial year, its main tasks will include positioning EEX Group as an "employer of choice", establishing joint EEX group values and the further promotion of the internal mobility of employees.

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

GENERAL STATEMENT ON THE ECONOMIC POSITION BY THE MANAGEMENT BOARD

The Management Board of EEX Group is very satisfied with the development of the business in 2016. The Group has significantly exceeded its sale and results targets, which is particularly positive in view of the challenging market environment and the prevailing uncertainties in the market.

The Management Board assesses the financial position of EEX Group in 2016 as being extremely sound. The company gen-

erates a high cash flow from ongoing business activities. In addition, a high equity ratio, the approved capital increase and a solid liquidity position are essential preconditions which enable the Group to finance both organic and inorganic growth on the basis of its own resources, both now and in the future.

At the time of preparation of this management report, the commercial position of the company and its financial strength both remain 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

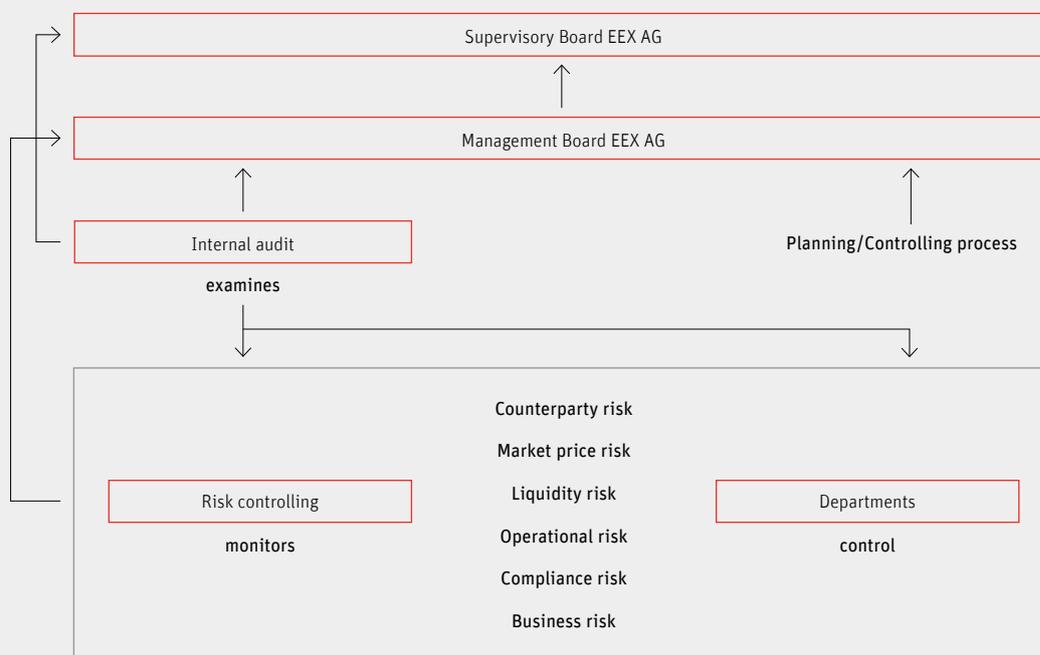
ORGANISATIONAL STRUCTURE

In accordance with the requirements defined in art. 91 para. 2 AktG [German Companies Act], the Management Board of EEX Group implemented an early warning risk system covering all business areas. This is intended to ensure that risks are recognised early and can be addressed accordingly.

The Chief Risk Officer (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 AG for all group companies. Depending on their size, the individual group companies may have a risk management unit of their own. As part of the Group risk management process, group companies report on a monthly basis. In order to gain an overall impression, the EEX Group risk management department brings together the prescribed information on risks from the various activity categories and the individual organisational units. Moreover, there is a requirement for the Management Board to submit ad-hoc reports to the Supervisory Board with regard to specific changes in the risk position.

The EEX Group risk management function has the following structure:



FRAMEWORK CONDITIONS

The risk position of EEX Group is determined by its business areas: Specifically, the companies of 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 ECC, in turn, the default risk is of significant importance for risk control on account of its activity as a central counterparty.

Due to the complex requirements of IT operations, operational risk constitutes a dominant component in risk control, in addition to business risks

Further, the companies of 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 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 and Brexit threatening the stability of European financial institutions.

RISK STRATEGY AND RISK CONTROL

EEX Group aligns its risk control to its business model and corporate strategy. It aims to ensure that risks do not pose a threat to the existence of the EEX Group. Minimum standards for risk management are established and risk awareness is ensured.

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 guidelines applicable throughout the Group.

ESSENTIAL RISKS

During the year under review, EEX Group observed the following relevant 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 due time and with resulting potential loss for the Group. Within EEX Group, the main counterparty risks occur within the ECC subsidiary. 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 art. 1 para. 1 fig. 12 KWG [German Banking Act]. In this function, it positions itself between the buyer and the seller and assumes the default risk of both sides for all transactions concluded on its markets, including OTC transactions registered for clearing. ECC pursues a risk strategy of covering this default risk with a high security level through its margin system, the clearing fund and its own financial resources at all times. The quality of the margin system is reviewed on an on-going basis with the help of regular back testing. By means of daily stress tests, ECC simulates the counterparty risk in extreme yet plausible market conditions and adjusts the clearing fund and its own financial resources in such a way that the 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 EEX Group. For this reason, funds are exclusively invested in recognised institutes with a low default risk in accordance with the investment guidelines of EEX Group. For identification purposes, the EEX Group has developed an internal scoring procedure. At ECC, in particular, funds are largely invested at the central bank or in reverse-repo transactions in return for securities collateral with a high credit rating and liquidity.

Furthermore, low default risks arise in the event that a trading participant does not pay its due transaction fees. Therefore, trading participants' credit standing is monitored constantly 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, for example, 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.

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 agreed on under a contract. Due to the business strategy pursued, the current operations do not lead to any essential incongruities of dates within 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 the medium-term plan, which is prepared every year, and through on-going liquidity management. The aim is to specify the liquidity reserve and credit lines in planning in such a way as to ensure that sufficient liquidity is available in 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 default of a Clearing Member and its impact on liquidity at ECC are controlled according to the requirements under EMIR Article 44 in conjunction with the delegated regulation 153/2013 by means of the following:

- › High requirements regarding the realisability of collaterals 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 (concurrent default of the two Clearing Members which generate the highest liquidity demand in extreme yet plausible market conditions)

On a daily basis, ECC generates a liquidity report regarding the available liquid 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 overall Management Board.

OPERATIONAL RISK

Operational risks are defined as all potential cases of damage arising from malfunctions of IT systems used, due to inadequate design of internal processes, errors of members of staff, errors 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 EEX Group. Since key parts of the IT systems are operated by external service providers, errors 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 of system development and comprehensive test procedures. 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 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 to this, 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 cases of malfunctions during operations. All untoward incidents which occur in the course of operations—even where not leading to any direct financial loss—are recorded in this database and analysed in cooperation with responsible members of the Management Board on a monthly basis and, if required, preventative measures are adopted and implemented.

COMPLIANCE RISK

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 and abuse through money laundering and/or the financing of terrorism. Furthermore, as a credit institution, ECC has to ensure that transactions are not concluded with individual persons or legal entities which are included in the relevant sanctions lists.

Within EEX Group, ECC settles all fundamental payments. In turn, ECC settles all payments via Clearing Members or settlement banks. These institutions are subject to the rules of the German Banking Act (KWG) or other, equivalent European provisions which require the implementation of measures to combat these risks. Therefore, ECC has 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. As a supplement to this, continuous monitoring processes are undertaken at ECC (essentially for detecting sales tax fraud) and by the Market Surveillance departments of the markets. 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 being confidential and protected against unauthorised access in accordance with internal instructions. In order to prevent 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 of the product environment which have a negative effect on the earnings position in the medium to long term.

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

STRICTER REGULATION IN THE FINANCIAL AND ENERGY SECTOR AS A RISK FOR EEX

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 Conditions" and the introduction of the Nominated Electricity Market Operator (NEMO) contained therein entail risks for EEX Group. In the future, NEMOs can use the market depth and the development status of EPEX SPOT 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. On the other hand, CACM creates the possibility to offer 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 actively operating in that state previously. This reciprocity creates uniform conditions for power market operators in Europe, namely a "level playing field". For EEX Group, this means the possible market entry of competitors into EPEX markets. However, it also entails the possibility of developing 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 being 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. The general exception for commodity derivatives, which has applied under MiFID I so far, has been cancelled and replaced by a designated “ancillary activity exemption”. As a result, only trading participants with relatively low trading activities (compared to their other activities) will be exempt from MiFID II requirements in the future. Those trading participants that are subject to MiFID II because they exceed certain thresholds, however, are considered “financial institutions”. As a result, 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 significant impacts on energy markets.

Further details on the implementation of MiFID II/MiFIR were presented in the context of designated regulatory technical standards (RTS), the final version of which has been available since December 2016. These RTS, for example, contain proposals regarding threshold values for the determination of 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. The specific application is elaborated further at the level of the European regulator (ESMA) and the national regulators (designated “Level 3”). In practice, it remains to be seen whether and to what extent the customers of EEX Group will be affected by these stricter rules and regulations. It is undisputed that the overall requirements will increase and that every company will have to deal individually with the new regulatory landscape.

With reference to excessive speculation and high volatility on the agricultural market, MiFID II/MiFIR introduced designated position limits which also apply to trading in energy derivatives. These are specified in more detail in the regulatory technical standards no. 21, which have now been submitted. The underlying “baseline limits” for energy derivatives appear acceptable.

In addition, certain physical derivatives on gas and power which are 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 (OTFs)”. 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 the exchange towards the OTFs. This can lead to a general restraint on the part of players in trading with EEX products. A general decline in trading activities also seems feasible. In order to counter this, EEX and Powernext set up a designated Non-MTF as a precursor to an OTF in 2016. As soon as an OTF licence can be applied for, EEX and Powernext will do this accordingly. This will enable the customers of EEX Group to use the OTF exemption under MiFIDII/MiFIR and, at the same time, prevent them from ceasing exchange trading.

Moreover, EMIR uses the definition of financial instruments provided in MiFID so that these over-the-counter physical derivatives are also not regulated by EMIR. As a result, trading in such physical derivatives has significant regulatory advantages as compared to the products offered by EEX (no need to obtain a financial services licence along with the requirement of providing corresponding equity, no position limits, no reporting requirements and no mandatory clearing according to EMIR, etc.). As a result, volumes which are registered for clearing using the Trade Registration channel are also subject to this risk since derivatives which are traded OTC are converted into financial instruments in 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 negotiation. The question of how a financial transaction tax will be introduced and if, or in what manner, derivatives will be covered, remains unanswered. Even if it is anticipated that such a tax would have the lowest possible effect on the real economy, it could nevertheless have an enduringly negative impact on derivatives trading. The tax could, in particular, lead to a shift in trading activities to trading platforms in countries not affected by such a tax.

EU Benchmark Regulation

In response to the manipulation of certain financial market indices, such as the reference interest rates in the interbank business, LIBOR and EURIBOR, industry standards for financial benchmarks (IOSCO) and, based on IOSCO, EU regulation 2016/1011 regarding indices used as benchmarks have been developed. The far-reaching proposed regulation by the EU Commission 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 overcoming 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 market sizes, could have corresponding impacts on individual indices of EEX Group. The regulation covers, in particular, the designated administrators of benchmarks, i.e. those entities holding responsibility for benchmarks. By April 2017, the level II process, as it is called, will be carried out with the preparation of regulatory technical standards. This will be followed by the further development of the regulation in the context of the level III process involving national regulatory authorities. Based on currently available information, the individual companies of EEX Group will be affected by this regulation; however, there are exemptions. Further, commodity benchmarks in niche markets which have a correspondingly limited external effect are entirely exempt from the regulation. This should apply to some of the benchmarks for which EEX Group currently operates as an administrator. As a neutral index provider, EEX Group is taking precautions regarding the group-wide implementation of the benchmark regulation.

CHANGE IN ENERGY MARKET DESIGN

Energy turnaround and power market design

The increasing transformation of the energy markets to cater for renewable energies creates 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 have effects on 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 last year 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. To this end, the Act contains, for example, a “commitment” to free market pricing and a self-imposed restriction against political intervention. A capacity reserve is to be introduced in order to ensure the security of supply. In addition, a number of supporting provisions are defined in detail. These pursue the aim of further developing the power market and, in particular, enhancing its flexibility. The measures include increasing balancing group responsibility as well as grid- and transparency-related measures.

In addition, the Renewable Energies Act (EEG) was also revised last year. In this context, a particularly important innovation is the fact that the subsidy amount is no longer set administratively by the legislator but determined on a competitive basis as part of invitations to tender.

As seen from the perspective of the exchange, the draft of the electricity market law can be assessed as being positive in principle

As seen from the perspective of the exchange, the draft of the electricity market law can be assessed as being positive in principle. The commitment to free pricing, in particular, ensures that the exchange price signal will remain the relevant decision-making basis for market players in the future. In particular, the commitment to free pricing ensures that the exchange price signal will continue to form the fundamental decision-making basis for market players. Invitations to tender under the EEG are an important step towards the further market integration of renewable energies. Pilot invitations to tender for ground-installed photovoltaic systems which have already taken place were positive and showed that this competitive tool can be used to reduce subsidy costs. It remains to be seen whether the commitment to free pricing will be implemented consistently in the coming years, as required by the electricity market law, or whether the market price signal will be weakened by regulatory interventions into the market, which is also legitimated by the electricity market law.

While Germany has already paved the way for the “Power Market 2.0”, the debate on energy market design continues at a European level. At the end of 2016, the EU Commission presented a package comprising numerous legislative measures for the further development of the power market and the integration of renewable energies. The Commission also placed well-functioning power markets and strong price signals at the centre of its considerations. At the same time, the aim is to prevent uncoordinated national measures which impair cross-border trading and cause increased costs for consumers. One example of this is capacity mechanisms, with respect to which there have been a range of different views and approaches taken by individual EU member states so far. To this end, the Commission aims to achieve the highest possible harmonisation of standards at a European level and to enforce non-discriminatory cross-border access to these market segments. As seen from the perspective of EEX Group, the basic trend and most of the proposals contained in the package can be regarded as being positive since they reflect

confidence in competitive and market-based principles. However, care has to be taken to ensure that the ambitious targets and proposals of the Commission are supported by all parties involved in the European Parliament and member states and are not watered down in the further course of the legislative process, which is expected to last for two years.

Power market: Configuration of price zones

Even though, as an overall trend, focus is to be increasingly placed on market mechanisms and pricing signals, the exact design of bidding zones within the European market is still being discussed, leading to continued uncertainty. The preservation of the German-Austrian price zone, in particular, is being increasingly called into question without sufficient consideration of possible effects on the trading market, and in particular the power derivatives market. Most recently, at the end of October 2016, the Federal Network Agency called upon German transmission system operators to make preparations for congestion management at the German-Austrian border from mid-2018 onwards. At the same time, there are further processes at the European level at ACER and ENTSO-E that deal with the design of the price zones in Europe and that can potentially also have an impact on the German-Austrian market area. So far, it remains unclear which process will actually apply, and who will take final decisions. This dispute is also obvious from the fact that individual players—in particular from Austria—have already announced that they would take, or have even already initiated, legal steps against decisions by ACER and the Federal Network Agency referring to a lack of competence or an incorrect legal basis.

Irrespective of the final design, negative effects on the markets of EEX Group would in any case have 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 development of the market design through the envisaged strengthening of the price signal and increased flexibilisation, both of these effects appear to be counterproductive. The potential of market-based European integration and innovations cannot be fully developed 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 in order to prepare for such a step. As seen from the perspective of EEX Group, care has to be taken to ensure that any division, if actually implemented, is carried out with the least possible impact on the market.

General political uncertainty

While, in principle, trading markets are subject to the influence of the political environment, uncertainty regarding the stability of the political framework has increased recently. This for example, includes the United Kingdom's vote to leave the European Union, which reflects its scepticism about or even rejection of the European Union as such. In addition, a strengthening of movements in some European countries, which reject established institutions of the political systems, has been observed. Further, Donald Trump's success in the US presidential elections is also a reflection of this development. From a market perspective, the impact of these political changes on energy markets via changes in energy policy and international trading remains to be seen.

Intensification of competition

Increasing competition and price pressures form a further significant risk. Over the last few years, all three main competitors of EEX Group (NASDAQ OMX, ICE and CME) have introduced power and gas products in the most important European market areas.

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

| | NASDAQ OMX | ICE | CME |
|---------------------------------|---------------|-----|-----|
| Power derivatives market | | | |
| Germany/Austria | x | x | x |
| Italy | x | x | x |
| France | x | x | x |
| Gas spot markets | | | |
| Germany | | x | |
| Netherlands | | x | |
| France | | | |
| Gas derivatives markets | | | |
| Netherlands | x | x | x |
| Germany | x | x | |
| France | x | | |

At present, the competitors' success in the power derivatives markets of EEX Group is not excessive. Only NASDAQ OMX generated any noteworthy volumes on the German power derivatives market. In the gas markets, in turn, ICE recorded significant volumes in part. It can be expected that the very 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 both into existing markets and into growth markets of EEX Group entails the risk of losing the possibility to influence the design of the European energy markets and of inability to reach the Group's desired business objectives.

CHALLENGING MARKET ENVIRONMENT FOR THE CUSTOMERS OF EEX GROUP

The great majority of EEX Group customers primarily consist 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 markets of EEX Group, as has already happened in individual cases. The decline in revenue associated with the energy transition with a concurrent increase in depreciation/amortisation and provisions for the decline of conventional power generation puts a significant strain on the profitability of these companies. The current situation has effects on the willingness of energy and utility companies to pay for exchange trading activities as well as credit assessments of external investors and, as a result, on the energy and utility companies' ability to provide collateral for exchange transactions. On the other hand, the decline in the credit assessment 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 and, as a result, it has had a positive impact on the business of EEX Group.

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In addition, commodity hedge funds have been under pressure for some time because of the developments in the global commodity markets. As a result, it cannot be excluded that individual funds might close.

ESSENTIAL OPPORTUNITIES

ORGANISATION OF OPPORTUNITY MANAGEMENT

Within EEX Group, management of opportunities is carried out in the context of strategic management, corporate and product development as well as the continuous improvement process. Based on an analysis of strengths and weaknesses, which is updated regularly, opportunities are identified for entry into new markets or strengthening the market position in existing markets via sophisticated products or processes, an improved cost base, 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, the added value as seen from the perspective of the customer 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, financial analysis (costs, revenue, cash flows and net present value) is conducted for a multi-year period.

ORGANIC GROWTH POTENTIAL

Generally, there is organic growth potential for EEX Group, in particular, by growing its market shares in the existing markets and by developing new markets.

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

- > Further increase in the attractiveness of EEX Group as a trading platform;
- > Further improvement and expansion of the Clearing Services;
- > Product innovations.

The increase of the attractiveness of EEX Group markets can be achieved via various measures. On the one hand, the quality of individual order books can be enhanced by improving liquidity in the order books and reducing the bid-ask spread by means of the acquisition of additional market makers or liquidity providers. Targeted price measures also offer the opportunity to increase the attractiveness of the markets of EEX Group. Moreover, the establishment of new representative offices raises the presence of EEX Group in local markets and, as a result, ensures increased awareness.

The enhancement and expansion of clearing services directly improves the competitive position of ECC as a clearing house. All measures which reduce, on the one hand, entry barriers (which are relevant, in particular, for smaller trading participants) and, on the other, the costs of clearing, can lead to the addition of further clearing participants. Further, the introduction of new services and the connection of new partner exchanges are also relevant here. Against the background of increasingly stringent regulatory requirements and therefore the growing importance of clearing worldwide, this constitutes a significant opportunity to improve the positioning of ECC in the global clearing business.

Product innovations tailored to customers' requirements can provide EEX with significant opportunities for increasing its market share. EEX Group can respond to changing conditions by developing new customized products or by adjusting the existing product portfolio. Examples include the day and week futures introduced on the power derivatives market due to the energy transition or the implementation of further short-term products in the gas segment. In this context, the release of Wind Power Futures is also worth mentioning.

INORGANIC GROWTH POTENTIAL

In the future, opportunities might again arise for EEX Group to expand its activities inorganically. In this context, both partnerships and acquisitions can play an important role with a view to strengthening existing markets and a focus on regional expansion and extension of the product offering. Inorganic growth supports the achievement of the strategic aim of establishing EEX Group as a globally operating exchange for commodity products.

GENERAL STATEMENT ON THE RISK AND OPPORTUNITIES POSITION

In spite of growing uncertainties, in particular due to growing financial burdens on the large energy groups (which are important trading participants of EEX Group) and increasing regulatory developments in both the financial and the energy sector, the risk assessment for the 2016 financial year has not indicated any threat to the Company's continued existence on

account of individual risks or aggregated risk positions. Since there are further noteworthy—in particular, industry-specific—risks, setbacks en route to the enduring implementation of the growth aims envisaged cannot be fully excluded.

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

The Group 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 met successfully and opportunity potentials can be realised.

4 OUTLOOK REPORT

COMPARISON OF EARNINGS POSITION WITH FORECAST FOR 2016

EEX Group significantly exceeded the range of sales revenue forecast for the year under review, as well as earnings before taxes, as a result of the very successful development in the power derivatives markets as well as the gas markets. Furthermore, the 2016 forecast did not include the full consolidation effects of the new companies PXE, Gaspoint Nordic and PCG.

Sales revenue and earnings before taxes

| kEUR | Forecast 2016 | Actual 2016 |
|-----------------------|-------------------|-------------|
| Sales revenue | 187,391 – 206,586 | 234,158 |
| Earnings before taxes | 42,387 – 57,492 | 87,629 |

OUTLOOK FOR THE 2017 FINANCIAL YEAR

The outlook report describes the probable development of EEX Group in the 2017 financial year. It contains statements and information regarding processes which lie in the future and is based on current expectations, assumptions and forecasts of the Management Board and on the information available at present. These forward-looking statements cannot be considered as guarantees regarding the future developments and events 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 2017:

- > Potential changes within the regulatory environment (in particular with regard to OTF) do not have a detrimental impact on regulated platforms;
- > No impairment as a result of regulatory changes affecting financial markets (for example higher capital requirements for Clearing Members, no introduction of a financial transaction tax);
- > No negative impact on the liquidity of the core markets as a result of changed power market design and, in particular, a possible division of the German-Austrian market area or through the introduction of capacity markets;
- > No development of price wars with competitors.

Further growth of the sales revenue in all business areas is expected for the financial year 2017, with the power and gas markets foreseen as being the essential drivers. This is mainly supported by the growing market share of EEX Group on the power derivatives markets and the further development of the wholesale gas markets while concurrently expanding the gas market share of EEX Group. Furthermore, because of the constant growth in liquidity on the EEX Group trading platforms as well as the improvement and expansion of the product and service offering and the technical availability for the customer, growth of the number of trading and clearing participants is expected to continue in the future.

The attainment of these growth aims requires additional expenses for product development and projects, for IT infrastructure and an increase in staff numbers, which means that fixed costs are expected to increase.

As a result, increased earnings before taxes are expected, ranging from kEUR 86,056 to kEUR 95,114.

Increased earnings before taxes

| kEUR | 2017 forecast | 2016 actual |
|--------------------------------------|--------------------------|----------------|
| Power Derivatives | 95,800 – 105,884 | 87,206 |
| Power Spot | 69,202 – 76,487 | 67,534 |
| Natural Gas | 37,442 – 41,383 | 32,846 |
| Market Data Services | 5,196 – 5,743 | 5,019 |
| Environmentals | 4,566 – 5,047 | 2,479 |
| Clearing-Services | 809 – 894 | 1,727 |
| Global Commodities | 1,934 – 2,138 | 501 |
| Agriculturals | 317 – 350 | 326 |
| Other revenues | 37,933 – 41,926 | 36,520 |
| Sales revenue | 253,200 – 279,852 | 234,158 |
| Net income from banking transactions | 0 | -59 |
| Other operating income | 247 – 272 | 2,856 |
| Volume-related costs | -39,123 – -43,241 | -21,218 |
| Net revenue | 214,323 – 236,884 | 215,736 |
| Non-variable costs | -128,312 – -141,819 | -128,607 |
| EBIT | 86,011 – 95,065 | 87,129 |
| Financial result | 44 – 49 | 472 |
| Income from at-equity investments | 0 | 28 |
| EBT | 86,056 – 95,114 | 87,629 |
| Income taxes | -28,732 – -31,756 | -29,898 |
| Net profit for the period | 57,324 – 63,358 | 57,731 |

If, contrary to expectations, conditions do not develop as outlined above, EEX 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 in sales of 10% as against budget would correspond to a decline in profits of approximately 25%. In this context, it was for example assumed that variable costs would develop in line with transaction revenue and that all further cost items would be kept constant. Subject to these assumptions, a decline in turnover of approx. 40% could be coped with, without bringing about negative earnings before taxes.

OVERALL STATEMENT ON THE FUTURE DEVELOPMENT OF EEX GROUP

As a result of its diversified business model, EEX Group is convinced that it is very well prepared and expects a positive development of its earnings position in the coming year as well as in the medium term. In 2017, the focus will be on the further development of the position in individual markets, the

The strategic aim of the coming year will be to further strengthen and expand the position amongst competitors, especially when it comes to the spot and derivatives markets as well as natural gas markets

development of new markets, as well as the continuing integration of acquisitions from 2015 and 2016 into the corporate group. The further strengthening and expansion of the good position established within a competitive environment, in particular, on the power spot and derivatives market as well as the gas markets, forms 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 statement, the annual financial statement of EEX is not prepared in accordance with the 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 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 EEX Group.

Because of the structure of 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 EEX Group and the corresponding sections “Macro-economic, industry-specific and regulatory framework conditions” and “Business development”.

EARNINGS POSITION

In the past financial year, EEX was able to further significantly improve its earnings position. The very positive development of the subsidiaries of EEX and, as a result, the income from shareholdings drove this strong growth. In the past financial year, the total revenue of EEX—the sum of sales revenue, other operating income and the income from shareholdings—was kEUR 127,107 and, hence, 67% higher than in 2015 (kEUR 76,330). The resulting annual net profit was kEUR 66,132 as against kEUR 20,656 in the previous year, thereby increasing by 220%.

Profit and loss account of EEX AG

| kEUR | 2016 | 2015 after BilRUG ⁶ | 2015 before BilRUG |
|--|---------------|--------------------------------|--------------------|
| Sales revenue | 28,424 | 24,194 | 5,916 |
| Other operating income | 1,225 | 2,816 | 21,095 |
| Staff costs | 17,161 | 15,659 | 15,659 |
| Depreciation, amortisation and impairment losses | 3,850 | 2,835 | 2,835 |
| Other operating expenses | 19,868 | 17,611 | 17,611 |
| Investment income | 97,458 | 49,320 | 49,320 |
| Other interest and similar income | 473 | 34 | 34 |
| Depreciation/reversal of impairments on financial assets | 129 | 11,637 | 11,637 |
| Interest and similar expenses | 263 | 151 | 151 |
| Income taxes | 20,175 | 7,813 | 7,813 |
| Other taxes | 1 | 2 | 2 |
| Net profit for the period | 66,132 | 20,656 | 20,656 |

⁶ Reporting of revenue from service level agreements as sales revenue according to BilRUG (Accounting Directive Implementation Law)

SALES REVENUE

In the 2016 financial year, EEX generated sales revenue of kEUR 28,424, which corresponds to a 17% increase as against the previous year (kEUR 24,194). This consists of transaction fee revenue from the trades concluded at EEX, other sales revenue and revenue from the provision of services in the context of the intragroup service agreements. In this context, the latter made a significant contribution to the increase in sales revenue in the past financial year.

During the reporting year, transaction revenue of kEUR 10 was generated from trading in freight contracts at EEX (previous year: EUR 0). 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 2,732; previous year: kEUR 2,750), revenue from marketing of information products and transparency data as well as regulatory reporting (kEUR 2,666; previous year: kEUR 2,081), training fees (kEUR 373; previous year: kEUR 393), annual fees (kEUR 126; previous year: kEUR 692) and further other sales revenue (kEUR 179; previous year: kEUR 72).

In the past financial year, the revenue from intragroup service agreements of kEUR 22,338 (previous year: kEUR 18,206) formed an essential sales component of EEX. In its capacity as the parent company of 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 the growing cost base of EEX.

OTHER OPERATING INCOME

In the 2016 financial year, other operating income was kEUR 1,225 (previous year: kEUR 2,816). This decline is largely due to a one-off effect in 2015. After adjustment for this one-off effect, other operating income rose by kEUR 468, essentially because of increased income from the reversal of provisions as well as exchange rate gains during the reporting period.

EXPENSES

During the reporting period, EEX staff costs increased by 10%, from kEUR 15,659 to kEUR 17,161. This was mainly caused by a staff increase of 17% during the past financial year (see also "Employees of EEX AG" in this regard).

Compared with 2015, depreciation, amortisation and impairment losses rose by kEUR 1,014 to kEUR 3,850. This increase (36%) is due to the ongoing high investments in IT systems. These are necessary for the:

- > Optimization of 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 17,611 to kEUR 19,868 during the reporting year. These are to a significant degree determined by expenditures for IT systems, consultancy, marketing and infrastructure. This increase in expenses was primarily connected with:

- > The further integration of the subsidiaries added in 2015 and 2016 as well as the strengthening of EEX as a group;
- > The implementation of new strategic projects;
- > The constant optimisation of IT infrastructure and IT processes as well as the general expansion of the business area with effects on IT systems;
- > Increasing regulatory requirements;
- > The growth of the entire corporate group and the resulting increasing costs for infrastructure and travelling.

INVESTMENT INCOME

As a result of the structure of EEX Group 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, which increased from kEUR 49,320 to kEUR 97,458 in the past financial year. These results consist of income from shareholdings in EPEX, Powernext and Gaspoint Nordic as well as income or loss from the transfer of results of ECC, EPD, GEEX and ACEX and the store-x dividend.

The significant increase of investment income during the past financial year was essentially due to the strong growth of the subsidiaries ECC and EPD. During the 2016 financial year, they transferred results of kEUR 48,195 from ECC to EEX (2015: kEUR 32,310) and kEUR 27,666 from EPD to EEX (2015: kEUR 15,039). Furthermore, Powernext paid out a dividend of kEUR 23,147 (as against kEUR 3,171 in 2015) in the past financial year.

In the 2016 financial year, EPEX paid a dividend from 2015 profits of kEUR 2,015 to EEX (2015: kEUR 2,212). Furthermore, EEX took over losses totalling kEUR -4,387 (2015: kEUR -3,429) as a result of the profit-and-loss transfer agreements with GEEX and ACEX.

Until 30 June 2016, EEX's investment portfolio also included the 50% shareholding in Gaspoint Nordic, which distributed kEUR 802 to EEX (2015: EURO). In addition, EEX received a dividend of kEUR 20 in respect of its 12% shareholding in store-x as against kEUR 18 in the previous year.

As the parent company, EEX depends on the operating results of its subsidiaries. The combined results from the shareholdings account for 77% (2015: 65%) 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 as well as appreciations and depreciation/amortisation in the value of financial assets) was kEUR 81 (2015: kEUR -11,754). However, the previous year included a one-off loss from the impairment of the shareholding in CLTX. The 2016 financial result essentially included interest income from tax receivables, interest expenses for internal and external credits as well as an impairment loss of the store-x shareholding.

COMPARISON OF THE EARNINGS POSITION WITH THE 2016 FORECAST

While the result before taxes for the reporting year was forecasted between kEUR 28,929 and kEUR 36,627, the actual result before taxes was kEUR 86,309. In this respect, EEX benefited from the positive development of its business areas and therefore significantly higher investment income, in particular, from ECC and EPD as well as from the high dividend payment of Powernext.

ASSET POSITION

Balance Sheet of EEX AG as at 31 December 2016

| kEUR | 31/12/2016 | 31/12/2015 |
|---|----------------|----------------|
| ASSETS | | |
| A. Fixed assets | 114,986 | 87,328 |
| I. Intangible assets | 7,437 | 6,392 |
| II. Property, plant and equipment | 978 | 1,114 |
| III. Financial assets | 106,571 | 79,822 |
| B. Current assets | 38,420 | 53,411 |
| I. Receivables and other assets | 24,760 | 52,669 |
| II. Cash in hand and cash at bank | 13,660 | 741 |
| C. Accruals | 535 | 592 |
| | 153,941 | 141,331 |
| LIABILITIES | | |
| A. Equity | 129,282 | 70,348 |
| I. Subscribed capital | 39,992 | 39,992 |
| II. Capital reserve | 10,000 | 10,000 |
| III. Retained earnings | 46,224 | 10,029 |
| IV. Balance sheet profit | 33,066 | 10,328 |
| B. Provisions | 16,166 | 9,996 |
| C. Liabilities | 8,493 | 60,987 |
| I. Liabilities to banks | 17 | 16,149 |
| II. Pre-payments received on orders | 776 | 622 |
| III. Trade payables | 1,236 | 1,822 |
| IV. Liabilities to affiliated companies | 6,250 | 42,212 |
| V. Other liabilities | 213 | 182 |
| | 153,941 | 141,331 |

DEVELOPMENT OF ASSETS

During the year under review, the fixed asset value of kEUR 114,986 increased by kEUR 27,658 and was primarily shaped by the growth in value of financial assets by kEUR 26,749 to kEUR 106,571. This growth is largely due to an appropriation to ECC's capital reserves of kEUR 25,000, which raised the value of the shareholding accordingly. Furthermore, this position also reflects the acquisition and sale of shareholdings and, in particular, the proportionate acquisition of PXE (see section "Business activities and group structure"). Intangible assets and property, plant and equipment rose by kEUR 909 to kEUR 8,416. This was driven by investments into the business data warehouse (system for the central provision and processing of corporate data) and into the Market Data Services business area (in particular, transparency platform and regulatory reporting).

As at the reporting date, the current assets of kEUR 38,420 (kEUR -14,991 compared to the previous year) essentially consisted of accounts receivable from affiliated companies in the amount of kEUR 23,253 (2015: kEUR 50,507), trade receivables in the amount of kEUR 784 (2015: kEUR 766), other assets in the amount of kEUR 723 (2015: kEUR 1,348) as well as cash in hand and cash at bank in the amount of kEUR 13,660 (2015: kEUR 741). The decline in accounts receivable from affiliated companies reflects an adjustment of the payment method regarding the profit-and-loss transfer agreements between EEX and its subsidiaries in the way that results generated are to be prepaid to EEX on a quarterly basis instead of annual payments.

As at the reporting date, accruals were kEUR 535 (2015: kEUR 592).

DEVELOPMENT OF EQUITY AND DEBT

EEX's assets were financed through equity of kEUR 129,282 (2015: kEUR 70,348) and debt of kEUR 24,659 (2015: kEUR 70,983). The debt consisted of provisions of kEUR 16,166 and liabilities of kEUR 8,493.

Compared with the previous year, provisions rose by kEUR 6,171 and essentially consisted of tax provisions (kEUR 7,218), provisions for profit shares (kEUR 5,608), provisions for outstanding invoices (kEUR 2,298) and for staff liabilities (kEUR 518). In this context, the tax provisions specifically were kEUR 4,990 higher than on the previous reporting date.

Liabilities were kEUR 52,494 lower than in the previous year. They essentially consisted of liabilities to affiliated companies (kEUR 6,250) and trade payables (kEUR 1,236). The significant decline in liabilities compared to the previous year reflects the repayment of a large part of the external and internal credits which had been used to finance the strategic investments as of the reporting date in the previous year.

As at the reporting date, the EEX balance sheet total was kEUR 153,941 as against kEUR 141,331 in the previous year. At 84%, the equity ratio at the end of the financial year was significantly higher than in the previous year (50%) because of the repayment of large parts of EEX AG's credits. The equity ratio is calculated as the proportion of equity and balance sheet total as at the reporting date (31 December of the reporting year).

FINANCIAL POSITION

Due to the positive business development in 2016, liquidity as at the reporting date rose from kEUR 741 on the reporting date of the previous year to kEUR 13,660. As a result, 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 amendment of the payment method regarding 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 2016 financial year, EEX employed further staff members and internalised existing temporary employment contracts. As at the reporting date, there were 148 employees as against 126 employees as at 31 December 2015.

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

Age group

| Age group | No. of employees | Share |
|----------------|------------------|-------------|
| < 30 years | 26 | 18% |
| 30 to 39 years | 83 | 56% |
| 40 to 49 years | 31 | 21% |
| > 50 years | 8 | 5% |
| Total | 148 | 100% |

As at 31 December 2016, 90% of EEX's workforce had a college or university degree (as against 90% in the previous year). This share is based on the number of employees who graduated from a university, college or vocational academy.

As at the reporting date, female employees accounted for 47% of staff. As at 31 December 2016, there were 15 executive positions in EEX (2015: 14), of which women held 4 (2015: 4).

RISK AND OPPORTUNITIES REPORT

The risks and opportunities for EEX, as well as the measures and processes to be adopted when dealing with these risks and opportunities essentially correspond to those of EEX Group. For this reason, we refer to the "Risk and opportunities report" of EEX Group. In principle, EEX holds a share 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 art. 289 para. 5 HGB was provided in the "Group overview and basic information" of EEX Group within the "Management control" section.

OUTLOOK REPORT

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

OTHER NOTES

The annual financial statement of European Energy Exchange AG, Leipzig, as at 31 December 2016 was 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 ART. 312 PARA. 3 AKTG

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

“The Management Board of European Energy Exchange AG, Leipzig, declares in accordance with art. 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 POST REPORTING DATE EVENTS

European Energy Exchange AG and the shareholders of Nodal Exchange Holdings, LLC agreed in principle on the acquisition of all shares in Nodal Exchange Holdings, LLC. The total purchase price for all shares is in the low three digit million US-Dollar range.

The closing of the acquisition shall take place shortly and is still subject to customary conditions such as required regulatory approvals.

7 OTHER NOTES

The 2016 consolidated financial statement of European Energy Exchange AG, Leipzig, and its subsidiaries was prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (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 art. 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 art. 2 para. 7 of the German Securities Acquisition and Takeover Act) by means of voting shares issued by it.

Leipzig, 3 March 2017



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 2016

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Consolidated Statement of Profit or Loss and Other Comprehensive Income

| kEUR | Note | 2016 | 2015 |
|---|------|----------------|----------------|
| Sales revenue | [6] | 234,158 | 190,424 |
| Net income from banking transactions | [7] | -59 | 396 |
| Other operating income | [8] | 2,856 | 3,115 |
| Volume-related costs | [9] | -21,218 | -20,266 |
| Net revenue | | 215,736 | 173,669 |
| Staff costs | [10] | -52,898 | -47,125 |
| Depreciation, amortisation and impairment losses | [11] | -12,331 | -20,936 |
| Other operating expenses | [12] | -63,378 | -56,228 |
| Operating result | | 87,129 | 49,380 |
| Financial income | [13] | 1,174 | 50,651 |
| Financial expense | [13] | -703 | -616 |
| Financial result | | 472 | 50,035 |
| Income from at equity investments | [14] | 28 | 46 |
| Earnings before tax (EBT) | | 87,629 | 99,461 |
| Income tax expense | [15] | -29,898 | -20,411 |
| Net profit for the period | | 57,731 | 79,050 |
| Of which attributable to | | | |
| shareholders of EEX AG | | 49,648 | 71,065 |
| non-controlling interests | | 8,083 | 7,985 |
| Reconciliation to consolidated comprehensive income | | | |
| Net profit for the period | | 57,731 | 79,050 |
| Other comprehensive income | [16] | -196 | 2,912 |
| Total comprehensive income | | 57,535 | 81,962 |
| Of which attributable to | | | |
| shareholders of EEX AG | | 49,647 | 73,524 |
| non-controlling interests | [26] | 7,888 | 8,438 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

| kEUR | Consolidated Notes | 31/12/2016 | 31/12/2015 |
|---|-----------------------|------------------|------------------|
| Non-current assets | | 218,862 | 185,441 |
| Goodwill | [17] | 57,257 | 52,075 |
| Intangible assets | [17] | 116,387 | 113,764 |
| Property, plant and equipment | [18] | 3,731 | 4,399 |
| Investments in associates and joint ventures | [19] | 31 | 1,023 |
| Other equity investments | [19] | 24 | 203 |
| Derivative financial instruments | [20] | 31,388 | 4,473 |
| Deferred tax assets | [15] | 10,044 | 9,504 |
| Current assets | | 3,502,375 | 1,737,096 |
| Derivative financial instruments | [20] | 10,569 | 2,142 |
| Trade receivables | [21] | 376,658 | 269,925 |
| Other assets | [22] | 13,831 | 20,085 |
| Income tax assets | [15] | 151 | 1,266 |
| Accounts receivable from associates | [23] | 313 | 405 |
| Restricted bank balances | [24] | 2,973,739 | 1,321,049 |
| Other cash and bank balances | [25] | 127,115 | 122,224 |
| Total assets | | 3,721,238 | 1,922,537 |

Liabilities

| kEUR | Consolidated Notes | 31/12/2016 | 31/12/2015 |
|--|-----------------------|------------------|------------------|
| Equity | | 283,846 | 244,323 |
| Subscribed capital | [26] | 39,992 | 39,992 |
| Capital reserve | [26] | 10,000 | 10,000 |
| Reserves | [26] | 77,269 | 34,029 |
| Retained earnings | [26] | 93,951 | 94,669 |
| Other results | [16] | 3,320 | 2,797 |
| Non-controlling interests | [26] | 59,314 | 62,836 |
| Long-term liabilities | | 63,835 | 40,775 |
| Non-current provisions | [27] | 1,316 | 1,954 |
| Derivative financial instruments | [20] | 31,388 | 4,473 |
| Non-current liabilities | [28] | 219 | 2,204 |
| Deferred tax liabilities | [15] | 30,911 | 32,144 |
| Short-term liabilities | | 3,373,557 | 1,637,439 |
| Current provisions | [29] | 13,674 | 9,634 |
| Derivative financial instruments | [20] | 10,569 | 2,142 |
| Other bank loans and overdrafts | | 17 | 41,750 |
| Trade payables | [30] | 359,459 | 250,394 |
| Cash deposits by trading participants | [31] | 2,973,739 | 1,321,049 |
| Other current liabilities | [32] | 16,099 | 12,470 |
| Total equity and liabilities | | 3,721,238 | 1,922,537 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated Statement of Changes in Equity

| kEUR | 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 31/12/2014 | 40,050 | 10,000 | 5,500 | 68,975 | 124,525 | 7,677 | 132,202 |
| Total result | | | | 71,065 | | 7,985 | |
| Consolidation effects | | | | -8,989 | | 53,734 | |
| Dividends paid | | | | -7,209 | | -7,013 | |
| Reclassifications of reserves | | | 500 | -500 | | | |
| Acquisition of own shares | -58 | | | -306 | | | |
| Foreign currency effects | | | | 2,459 | | 453 | |
| 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 |

CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated Statement of Cash Flows

| kEUR | Consolidated Notes | 2016 | 2015 |
|---|-----------------------|----------------|----------------|
| Change in scope of consolidation | [5] | 2,355 | 21,118 |
| Annual net profit | | 57,731 | 79,050 |
| Depreciations on intangible assets and property, plant and equipment | [12] | 12,331 | 20,936 |
| Expenses for/income from deferred taxes | [15] | 652 | 935 |
| Result of at-equity investments | [14] | 48 | -49,770 |
| (Increase)/Reduction in trade receivables and other assets | [21-22] | 1,470 | -24,360 |
| (Increase)/Reduction in liabilities and provisions | [27-30, 32] | 20,719 | 12,739 |
| Cash flow from operating activities | | 92,951 | 39,530 |
| Payments for investments in associated companies | [19] | 219 | -725 |
| Payments for investments in intangible assets | [17] | -9,696 | -6,959 |
| Payments for investments in property, plant and equipment | [18] | -1,035 | -1,242 |
| Payments for the acquisition of shares in fully consolidated subsidiaries | [5] | -13,431 | -40,342 |
| Dividends received | [13, 19] | 72 | 18 |
| Cash flow from investing activities | | -23,871 | -49,250 |
| Dividend payments to shareholders of EEX AG | [26] | -7,198 | -7,209 |
| Dividend payments to non-controlling interests | | -12,463 | -7,013 |
| Cash inflow from non-controlling interests | | 4,092 | 1,002 |
| Cash inflow (outflow) from short-term financing | | -9,242 | 9,259 |
| Outflow of funds from the acquisition of own shares | | 0 | -364 |
| Cash flow from financing activities | | -24,811 | -4,325 |
| Cash-effective change in cash and cash equivalents | | 46,623 | 7,073 |
| Cash and cash equivalents at the beginning of the accounting period | | 80,474 | 73,401 |
| Cash and cash equivalents at the end of the accounting period | | 127,097 | 80,474 |
| In the financial year | | | |
| Interest received and similar income | [13] | 1,154 | 909 |
| Dividends received | [13, 19] | 72 | 18 |
| Interest paid and similar expenses | [13] | -664 | 1,893 |
| Taxes on income paid | [15] | 25,691 | 16,619 |

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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 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.

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 6 April 2017.

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 2016 financial year.

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The acquirer of interests in joint operations according to IFRS 3 is required to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11.

IAS 16/IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

Guidelines on the depreciation of property, plant and equipment and of intangible assets—in particular, revenue-based depreciation methods.

IAS 16/IAS 41 Bearer Plants

Fruit-bearing plants without significant biological modifications within the scope of application of IAS 16 Property, plant and equipment.

IAS 27 Equity Method in Separate Financial Statements

Equity method as an accounting option for shares in subsidiaries, joint ventures and associated companies in the separate financial statement of an investor.

Annual Improvements 2012–2014

Modifications and clarifications of various IFRS.

IAS 1 Disclosure Initiative

Simplified possibility for using discretion in the presentation in the financial statements.

IFRS 10, IFRS 12, IAS 28 Consolidation Exception

Use of the consolidation exception for investment companies.

IAS 19 Employee Contributions

Clarification of employee contributions or contributions by third parties which are connected with the period of service and establishing a relief if the amount of the contribution is independent of the number of service years performed.

Annual Improvements 2010–2012

Modifications and clarifications of various IFRS.

INFORMATION ACCORDING TO IAS 8.30

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.

IFRS 15 Revenue from Contracts with Customers

New provision regarding revenue recognition in terms of time and amount.

The following amendments do not have to be applied on account of their lacking of EU endorsements:

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

Assessment of deferred tax assets for unrealised losses in the case of assets assessed at fair value.

IAS 7 Disclosure Initiative

Notes regarding changes in the liabilities for financing activities.

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.

IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

Reduced effects from different first-time applications of IFRS 9 and the subsequent standard to IFRS 4, in particular, in the case of companies with comprehensive insurance activities.

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 16 Leases

Accounting of leasing contracts.

With the exception of the new IFRS 16 for leasing contracts, the amendments specified above do not have any essential impact on the presentation of the assets, earnings and financial position of EEX Group.

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 accounting periods detailed, unless otherwise specified.

PRINCIPLES FOR THE PREPARATION OF THE FINANCIAL STATEMENT

The consolidated financial statements as of 31 December 2016 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 art. 315a paragraph 3 HGB [German Commercial Code] under consideration of the supplementary provisions under commercial law.

The requirements of IFRS are fully fulfilled 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 assessed 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 specified, 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 of 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 taken over 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. In so far as necessary, the accounting and valuation methods for subsidiaries were 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 statement.

Transactions with non-controlling interests

Transactions with non-controlling interests are treated like 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 on which the Group exercises major 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 assessed at their acquisition costs. The investment in associates includes the goodwill created upon the 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 at the date of acquisition. The cumulative changes after acquisition are set off 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.

Insofar as necessary, the accounting and valuation methods for associates were 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 the 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 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 essentially depreciated over a period of three years.

Residual book values and useful life are reviewed as of every reporting 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 consolidated statement of financial position 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 on cash-generating units for the purpose of the impairment test. This allocation is effected on 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 proofs can be presented:

- > 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;
- > It has been assessed 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;
- > There exists the capacity 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 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 in case there are corresponding indications (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 at 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.

Rented or leased assets whose beneficial owner is EEX are, according to IAS 17 (finance lease), 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.

In the case when 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 the payment obligations from the 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 occurs 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:

- > Available funds;
- > An equity instrument of another company held as an asset;
- > A contractual right:
 - a) to obtain available 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;
- > Financial assets held to maturity;
- > Financial assets available-for-sale;
- > Loans and receivables.

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 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” right from the outset and financial assets classified as “assets recognised at fair value through profit or loss” right from the outset. 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 specified 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 reporting 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 and other assets in the balance sheet.

Financial assets available for sale

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

FINANCIAL INSTRUMENTS OF THE CENTRAL COUNTERPARTIES

The European Commodity Clearing (ECC) is the clearing house of EEX Group and it has the function of a central counterparty. The transfer of the APX clearing business to ECC was completed in 2016.

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 consolidated statement of financial position.

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 at the reporting date. In this context, the option premiums for open positions are used. Assets and liabilities 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, in as far as 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 and 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 furnish 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 assessed at fair value and after the deduction of transaction costs. In subsequent accounting periods, they are valued at amortised acquisition costs; 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 assessed by using the tax rates (and taxation provisions) which are applicable on the reporting date or which have essentially been adopted legally at 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 in case the fund does not have sufficient assets in order to settle the pension claims of all employees from the current and previous business years. In contrast to this, defined benefit pension plans typically specify an amount for the 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.

The provision for defined benefit plans recognised in the consolidated statement of financial position corresponds to the present value of the defined benefit obligation (DBO) at the reporting date. The DBO is calculated annually by an independent actuarial expert 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 industrial bonds with the highest credit rating. The industrial 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 the modifications of the pension plan depend on the continuance 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. Insofar as there are plan assets, these are deducted from the pension provision.

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 revenue 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 at 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 cash 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 at the 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.

In order to economically hedge against foreign currency risks, EEX has concluded short-term derivative currency hedging contracts with a term of less than one year. The fair values of the currency derivatives transactions were measured on the basis of discounted cash flows expected in the future. In this context, the currently valid market interest rates were used for the residual terms of the financial instruments.

4. ESTIMATES, VALUATION UNCERTAINTIES AND DISCRETIONARY DECISIONS

All estimates and assessments are constantly re-evaluated and are based on experience gained in the past and further 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 corporate planning of EEX Group 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 the evaluation of the likelihood of demands on certain provisions, as well as the realisability of deferred tax assets.

5. CHANGES IN THE SCOPE OF CONSOLIDATION

In the 2016 financial year, EEX Link GmbH (EEX Link), all of whose shares are held by EEX, started operations. It provides services with the aim of bundling the liquidity between the regulated exchange platforms for power and gas and the non-MTF markets which are subject to less stringent regulations. Moreover, it has been fully consolidated since 1 January 2016.

With effect from 31 May 2016, EEX acquired a further 47.8% of the voting shares in Cleartrade Exchange Pte. Limited, Singapore, and, as a result and in combination with a capital increase in February 2016, it increased its shareholding in this company to 100%. A purchase price of GBP 1 plus a revenue-based purchase price component was agreed as consideration. The company continues to be fully included in the consolidated financial statements.

In the course of the restructuring of CLTX, the subsidiary Cleartrade Exchange (UK) Ltd., London, United Kingdom was liquidated during the current financial year.

With effect as of 31 May 2016, EEX acquired a 66.67% shareholding in Power Exchange Central Europe a.s., Prague, Czech Republic (PXE), in order to expand the power derivatives market in central and eastern Europe. Following the final approval of the transaction by the Czech National Bank on 16 June 2016, EEX attained full control of PXE within the meaning of IFRS 10. Since then, the company has been fully consolidated in the consolidated financial statements.

The purchase price allocation had the following results:

| kEUR | |
|---|--------------|
| Transferred consideration | 4,411 |
| Acquired bank balances | -1,179 |
| Total consideration | 3,232 |
| Acquired assets and debts | |
| Customer relationships | 1,475 |
| Brand names | 296 |
| Other intangible assets | 45 |
| Other non-current assets | 3 |
| Deferred tax assets | 18 |
| Other current assets | 219 |
| Debts | -210 |
| Deferred tax liabilities on temporary differences | -345 |
| Non-controlling interests | -893 |
| Total acquired assets and debts | 608 |
| Goodwill | 2,624 |

The goodwill of kEUR 2,624 created through the transaction essentially reflects expected synergetic effects in sales resulting from the improvement in border-crossing trading.

The full consolidation of PXE has led to an increase in sales revenue of kEUR 810 and in the result after taxes and after the consideration of the share of non-controlling interests of kEUR 24. If the company had been fully consolidated as of 1 January 2016, the sales revenue would have been kEUR 1,375 higher and the corresponding profit would have been kEUR 84 higher.

In order to develop the Danish gas trading market EEX acquired a further 50% of the shares in Gaspoint Nordic A/S (GPN), Brøndby, Denmark, for a purchase price of kEUR 700 with effect as of 1 July 2016. As a result, it increased its shareholding in GPN to 100%. In July, the shares were transferred to Powernext SA, Paris, France. Following the increase of the share, Gaspoint Nordic A/S is no longer accounted for at equity but fully consolidated.

The purchase price allocation had the following results:

| kEUR | |
|---|--------------|
| Transferred consideration | 1,400 |
| Acquired bank balances | -1,176 |
| Total consideration | 224 |
| Acquired assets and debts | |
| Customer relationships | 195 |
| Brand names | 36 |
| Other non-current assets | 5 |
| Deferred tax assets | 52 |
| Other current assets | 140 |
| Debts | -334 |
| Deferred tax liabilities on temporary differences | -51 |
| Total acquired assets and debts | 43 |
| Goodwill | 181 |

As a result of the transaction, synergetic effects from bundling of gas trading on the PEGAS platform operated by Powernext SA can be taken advantage of.

The full consolidation of GPN resulted in an increase in sales revenue of kEUR 682 and in the result after taxes and after the consideration of the share of non-controlling interests of kEUR 238. If the company had been fully consolidated as of 1 January 2016, this would have led to an increase in sales of kEUR 1,468 and in the profit after tax and non-controlling interests of kEUR 492.

In the 2016 financial year, Powernext SA together with the Austrian Central European Gas Hub AG (CEGH) established the subsidiary PEGAS CEGH Gas Exchange Services GmbH, Vienna, Austria (PCG). Powernext holds 51% of the shares in PCG. This company has been fully included in the consolidated financial statements of EEX since its incorporation on 2 September 2016. In September 2016, PCG acquired the Austrian gas business segment from CEGH. This transaction constitutes a business combination within the meaning of IFRS 3.

The purchase price allocation had the following results:

| kEUR | |
|--|--------------|
| Transferred consideration | 4,097 |
| Acquired assets and debts | |
| Customer relationships | 2,143 |
| Brand names | 89 |
| Deferred tax assets | 1,461 |
| Share of non-controlling interests | -1,973 |
| Total acquired assets and debts | 1,720 |
| Goodwill | 2,377 |

This transaction enables Powernext SA to benefit from synergistic effects in trading in contracts for the major European gas markets on the joint PEGAS platform.

The company started operations on 1 December 2016 and since then it has contributed to an increase in sales revenue within EEX Group of kEUR 233 and to an increase in profit after tax and non-controlling interests of kEUR 9.

As of 31 December 2016, several APX companies were merged to EPEX SPOT in the context of an intragroup merger. In the context of this restructuring, EPEX Netherlands BV was incorporated in 2016 in order to take over the employees of the former APX Holding BV and their pension entitlements. This company was fully consolidated upon the launch of operations from 1 December 2016 onwards. In addition, APX Shipping BV was transferred to EEX within the group.

The liquidation of EMCC GmbH i.L. (which has been accounted for using the equity method so far) was concluded on 8 December 2016 and the remaining capital was paid out to the shareholders. The company was deleted from the commercial register on 13 February 2017.

NOTES ON THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

6. SALES REVENUE

Sales revenue was as follows:

| kEUR | 2016 | 2015 |
|----------------------------|----------------|----------------|
| Transaction fees | | |
| Power Derivatives | 87,206 | 60,006 |
| Power Spot | 67,534 | 63,393 |
| Natural Gas | 32,846 | 21,132 |
| Environmental Products | 2,479 | 1,590 |
| Clearing Services | 1,727 | 1,964 |
| Global Commodities | 501 | 1,157 |
| Agriculturals | 326 | 217 |
| Other revenues | | |
| Market Data Services | 5,019 | 3,745 |
| Other | 36,520 | 37,220 |
| Total sales revenue | 234,158 | 190,424 |

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.

7. NET REVENUE FROM BANKING TRANSACTIONS

This newly included item shows the result generated from investing of cash collateral provided by trading participants in the context of clearing. The negative contribution margin results from the currently negative interest rate for short term investments which was not fully covered by service charges.

8. OTHER OPERATING INCOME

This item essentially includes income from the reduction of the conditional purchase price liability for the acquisition of the remaining Cleartrade shares.

9. VOLUME-RELATED COSTS

This new item reflects variable costs, such as Market Maker costs or system costs which are incurred based on sales. The increase in these is essentially due to increased transaction volume.

10. STAFF COSTS

As at 31 December 2016, 453 members of staff were employed in EEX Group (2015: 421). As at the reporting date, female employees accounted for 41% of staff.

| kEUR | 2016 | 2015 |
|-------------------------------|---------------|---------------|
| Wages and salaries | 40,069 | 36,087 |
| Social security contributions | 9,625 | 7,713 |
| Pension costs | 3,204 | 3,325 |
| Total | 52,898 | 47,125 |

11. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

Depreciation, amortisation and impairment losses were structured as follows:

| kEUR | 2016 | 2015 |
|-------------------------------|---------------|---------------|
| Intangible assets | 10,753 | 19,197 |
| Property, plant and equipment | 1,579 | 1,739 |
| Total | 12,331 | 20,936 |

12. OTHER OPERATING EXPENSES

| kEUR | 2016 | 2015 |
|---|---------------|---------------|
| System costs | 24,819 | 25,511 |
| Consulting | 19,730 | 14,402 |
| Marketing, events and travelling expenses | 6,229 | 5,859 |
| Office expenses | 5,394 | 5,655 |
| Non-deductible input tax | -305 | 959 |
| Insurances, contributions | 1,141 | 893 |
| Audit costs | 653 | 716 |
| Supervisory Board emoluments | 474 | 280 |
| Other expenses | 5,241 | 1,953 |
| Total | 63,378 | 56,228 |

As of the current year, the expenses for Market Maker and broker services are reported under volume-related costs. The figures for the previous year were adjusted accordingly. Other expenses include, for example, costs for temporary employment, training programmes and foreign currency exchange losses.

13. FINANCIAL RESULT

The financial result has the following structure:

| kEUR | 2016 | 2015 |
|-----------------------------|------------|---------------|
| Interest and similar income | 1,155 | 909 |
| Interest expenditure | -664 | -602 |
| Revaluation of EPEX shares | 0 | 49,724 |
| Dividends from investments | 20 | 18 |
| Compounding of provisions | -39 | -14 |
| Financial result | 472 | 50,035 |

14. INCOME FROM AT EQUITY INVESTMENTS

The result from at equity investments contains basically the result for SEEPEX a.d. and for Gaspoint Nordic A/S for the first half of 2016 accounting for using the equity method.

15. INCOME TAX EXPENSE

This item records the current taxes on income and profit paid or owed as well as deferred taxes. Current income taxes are recognised at the time at which they are incurred.

| kEUR | 2016 | 2015 |
|-----------------------------------|---------------|---------------|
| Current income taxes | 30,550 | 19,509 |
| Income taxes for previous periods | 0 | -33 |
| Deferred income taxes | -652 | 935 |
| Total | 29,898 | 20,411 |

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

| | Tax rate in % |
|----------------|---------------|
| Germany | 31.925 |
| Denmark | 22.000 |
| Belgium | 34.000 |
| France | 33.333 |
| United Kingdom | 20.000 |
| Netherlands | 25.000 |
| Austria | 25.000 |
| Czech Republic | 19.000 |

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:

| kEUR | 2016 | 2015 |
|---|---------------|---------------|
| Earnings before tax | 87,629 | 99,461 |
| Tax rate | 31.925% | 31.925% |
| Expected tax expenditure | 27,975 | 31,753 |
| Tax-free income | -47 | -15,813 |
| Deviating tax rates | 39 | 1,843 |
| Non-deductible operating expenses | 629 | 1,662 |
| Other permanent balance sheet deviations | 103 | 1,158 |
| Tax expenses/income for previous periods | -164 | -687 |
| Amendments/Non-use of loss carry-forwards | 292 | 656 |
| Deviation from the assessment basis for trade tax and other taxes | 1,318 | 125 |
| Others | -248 | -286 |
| Effective tax expenditure | 29,898 | 20,411 |

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

| kEUR | Deferred tax assets | | Deferred tax liabilities | |
|-------------------------------|---------------------|--------------|--------------------------|---------------|
| | 2016 | 2015 | 2016 | 2015 |
| Intangible assets | 8,986 | 7,248 | 31,459 | 32,142 |
| Property, plant and equipment | 330 | 575 | 12 | 3 |
| Other financial assets | 0 | 0 | 0 | 0 |
| Financial instruments | 0 | 0 | 0 | 0 |
| Other receivables | 34 | 64 | 0 | 3 |
| Loss carry-forwards | 0 | 462 | 0 | 0 |
| Non-current provisions | 49 | 280 | 19 | 0 |
| Current provisions | 418 | 909 | 0 | 0 |
| Current liabilities | 902 | 0 | 96 | 29 |
| Outside basis differences | 0 | 0 | 0 | 0 |
| Gross value | 10,719 | 9,538 | 31,586 | 32,177 |
| Offset | -675 | -33 | -675 | -33 |
| Total | 10,044 | 9,505 | 30,911 | 32,144 |

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 18,839 (2015: kEUR 15,340) were not recognised. These loss carry-forwards are not restricted as to the date at which they may be used.

There are taxable temporary outside basis differences of kEUR 8,351 (2015: kEUR 5,402), 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):

| kEUR | 2016 | 2015 |
|---|---------------|---------------|
| Deferred tax assets | | |
| which will be realised after more than 12 months | 9,398 | 9,537 |
| which will be realised within a period of 12 months | 1,321 | 0 |
| Total | 10,719 | 9,537 |
| Deferred tax liabilities | | |
| which will be realised after more than 12 months | 31,490 | 32,177 |
| which will be realised within a period of 12 months | 96 | 0 |
| Total | 31,586 | 32,177 |

16. OTHER COMPREHENSIVE INCOME

This item includes effects recorded directly in "Other results" from the conversion of financial statements of subsidiaries prepared in foreign currencies in the amount of kEUR 3,320 (2015: kEUR 2,797).

With regard to currency conversion as at 31 December 2016, the following relevant exchange rates to the Euro were used:

| | Closing rate on 31/12/2016 |
|-----|----------------------------|
| CHF | 1.0731954 |
| GBP | 0.8561374 |
| SGD | 1.5222078 |
| USD | 1.0521500 |

NOTES ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

17. GOODWILL AND INTANGIBLE ASSETS

The goodwill and intangible assets developed as follows:

| kEUR | Other intangible assets | Goodwill | Total |
|---|-------------------------|---------------|----------------|
| Costs of acquisition as at 31/12/2014 | 26,213 | 37,099 | 63,312 |
| Change in the scope of consolidation | 109,578 | 39,865 | 149,443 |
| Additions | 6,959 | 0 | 6,959 |
| Disposals | -312 | 0 | -312 |
| Costs of acquisition as at 31/12/2015 | 142,438 | 76,964 | 219,402 |
| Change in the scope of consolidation | 4,279 | 6,812 | 11,091 |
| Additions | 9,696 | 0 | 9,696 |
| Disposals | -986 | 0 | -986 |
| Costs of acquisition as at 31/12/2016 | 155,427 | 83,776 | 239,203 |
| Depreciation/impairment as at 31/12/2014 | 19,241 | 17,801 | 37,042 |
| Scheduled amortisation | 9,195 | 0 | 9,195 |
| Impairment | 1,285 | 8,718 | 10,003 |
| Disposal | -312 | 0 | -312 |
| Depreciation/impairment as at 31/12/2015 | 29,409 | 26,519 | 55,928 |
| Scheduled amortisation | 10,753 | 0 | 10,753 |
| Disposal | -232 | 0 | -232 |
| Depreciation/impairment as at 31/12/2016 | 39,930 | 26,519 | 66,449 |
| Currency differences | 890 | | 890 |
| Book value as at 31/12/2015 | 113,764 | 52,075 | 165,839 |
| Book value as at 31/12/2016 | 116,387 | 57,257 | 173,644 |

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

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

ANNUAL IMPAIRMENT TEST AS AT 30 SEPTEMBER 2016

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 clearing income is assigned 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% (Global Commodities and PXE: 9%).

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 a goodwill. The question of by what amount sales revenue may decline without requiring impairment was analysed.

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

18. PROPERTY, PLANT AND EQUIPMENT

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

| kEUR | Leasehold improvements | Computer hardware, fixtures and furnishings | Total |
|---|------------------------|---|---------------|
| Costs of acquisition as at 31 December 2014 | 1,673 | 4,257 | 5,930 |
| Change in scope of consolidation | 513 | 2,996 | 3,509 |
| Additions | 201 | 1,041 | 1,242 |
| Disposals | 0 | -2 | -2 |
| Costs of acquisition as at 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 at 31 December 2016 | 2,260 | 9,330 | 11,590 |
| Depreciation/impairment as at 31 December 2014 | 1,090 | 3,444 | 4,534 |
| Scheduled depreciation | 485 | 1,254 | 1,739 |
| Depreciation/impairment as at 31 December 2015 | 1,575 | 4,698 | 6,273 |
| Scheduled depreciation | 193 | 1,386 | 1,579 |
| Depreciation/Impairment as at 31 December 2016 | 1,768 | 6,084 | 7,852 |
| Currency differences | 0 | -7 | -7 |
| Book value as at 31 December 2015 | 812 | 3,587 | 4,399 |
| Book value as at 31 December 2016 | 492 | 3,239 | 3,731 |

19. INVESTMENT IN ASSOCIATES AND JOINT VENTURES, OTHER EQUITY INVESTMENTS AS WELL AS OTHER FINANCIAL ASSETS

Associates and joint ventures, as well as equity investments, as at the reporting date were as follows:

| | Associates and joint ventures | | Equity investment |
|---|-------------------------------|-----------------------------------|---|
| | SEEPEX a.d. | Index Marketing Solutions Limited | store-x Storage Capacity Exchange GmbH i.L. |
| Registered offices | Belgrade, Serbia | London, Great Britain | Leipzig, Germany |
| Initial recognition in the balance sheet | 2015 | 2014 | 2008 |
| Share in capital as at 31 December 2015 (%) | 12 | 26 | 12 |
| Share in capital as at 31 December 2016 (%) | 12 | 50 | 12 |
| Nominal capital (kEUR) | 500 | 0 | 200 |
| Inclusion | At equity | | Costs of acquisition |

The book values developed as shown in the table below:

| kEUR | Associates | Other equity investments |
|--|---------------|--------------------------|
| Costs of acquisition as at 31/12/2014 | 20,451 | 153 |
| Change in scope of consolidation | -20,131 | 0 |
| Addition | 657 | 50 |
| Costs of acquisition as at 31/12/2015 | 977 | 203 |
| Addition | 56 | 0 |
| Change in scope of consolidation | -600 | -50 |
| Disposal | -404 | 0 |
| Costs of acquisition as at 31/12/2016 | 29 | 153 |
| Revaluation as at 31/12/2014 | 7,171 | 0 |
| Change in scope of consolidation | -7,171 | 0 |
| Result of at-equity valuation | 46 | 0 |
| Revaluation as at 31/12/2015 | 46 | 0 |
| Dividend payment | -52 | 0 |
| Result of at-equity valuation | 8 | 0 |
| Impairment | 0 | -129 |
| Revaluation as at 31/12/2016 | 2 | -129 |
| Book value as at 31/12/2015 | 1,023 | 203 |
| Book value as at 31/12/2016 | 31 | 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 to the same amount of kEUR 41,957 (2015: kEUR 6,615). Options with a total value of kEUR 10,569 included in this will mature within one year.

21. TRADE RECEIVABLES

| kEUR | 31/12/2016 | 31/12/2015 |
|---|----------------|----------------|
| Accounts receivable | 376,838 | 270,232 |
| Less lump-sum specific individual allowance | -180 | -307 |
| Trade receivables | 376,658 | 269,925 |

| kEUR | 2016 | 2015 |
|---|------------|------------|
| Initial amount of the specific allowance as at 1 January | 307 | 122 |
| Change in scope of consolidation | 0 | 92 |
| Addition | 10 | 118 |
| Utilisation of allowance | -5 | 0 |
| Reversal | -128 | -30 |
| Currency conversion | -4 | 5 |
| Final amount of the specific allowance as at 31 December | 180 | 307 |

Trade receivables essentially comprise sales on the Power and Gas Spot Market 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 INCOME TAX ASSETS

| kEUR | 31/12/2016 | 31/12/2015 |
|--|---------------|---------------|
| Accounts receivable from tax authorities regarding sales tax | 5,242 | 754 |
| Accruals for system adjustments | 2,393 | 1,656 |
| Accruals and deferrals | 2,377 | 2,025 |
| Income tax assets | 151 | 1,266 |
| Fixed term deposits/cash pooling | 0 | 5,000 |
| Other | 3,819 | 10,650 |
| Total | 13,981 | 21,351 |

The other assets and income tax assets are short term.

23. ACCOUNTS RECEIVABLE FROM ASSOCIATES

There are accounts receivable from SEEPEX a.d., which are explained under note 40.

24. RESTRICTED BANK BALANCES

The restricted bank balances of kEUR 2,973,739 (2015: kEUR 1,321,049) concern in particular collaterals which have been paid by clearing members for the Spot and Derivatives Market in the form of cash collaterals. These are shown as a liability to the same amount.

The increase as against the previous year is largely due to increased business volume and the low interest rate level.

25. OTHER CASH AND BANK BALANCES

As at the reporting date, the Group had cash and cash equivalents of kEUR 127,115 (2015: kEUR 122,224).

26. EQUITY

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

EEX has 40,050,000 shares issued with a nominal value of Euro 1 each. At the reporting date (31 December 2016), EEX held own shares in the amount of a calculated share in the nominal capital of kEUR 58. The subscribed capital of EEX amounts to kEUR 39,992, as in the previous year. The capital reserve still amounts to kEUR 10,000, without change.

In the 2016 financial year, kEUR 7,198 were paid out to the shareholders of EEX.

This item shows the shares of minority shareholders of EPEX Group, Powernext, Gaspoint Nordic, PCG and PXE. The change compared with the previous year can be explained by dividend payments to minority shareholders and by the changed scope of consolidation (see note no. 5).

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:

| kEUR | Pension provisions | Other non-current provisions |
|----------------------------------|--------------------|------------------------------|
| As at 01/01/2015 | 39 | 484 |
| Change in scope of consolidation | 903 | 133 |
| Utilisation | -51 | -108 |
| Reversal | 0 | -2 |
| Compounding | 0 | 12 |
| Addition | 314 | 1,213 |
| Transfer | 0 | -200 |
| Deduction plan assets | -783 | 0 |
| As at 31/12/2015 | 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 at 31/12/2016 | -11 | 1,316 |

There are provisions for pensions for a former employee in Germany and, in total, 140 employees in France. As at 31 December 2016, there were IFRS expert opinions available stating a discount rate of 1% (2015: 2%).

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 had an estimated pay-out after more than five years.

28. LONG-TERM LIABILITIES

This position shows a purchase price liability to former Clear-trade shareholders.

29. CURRENT PROVISIONS

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

| kEUR | 2016 | 2015 |
|----------------------------------|---------------|--------------|
| As at 01/01/2016 | 9,634 | 5,219 |
| Change in scope of consolidation | 91 | 3,218 |
| Utilisation | -6,443 | -6,779 |
| Reversal | -1,100 | -1,014 |
| Addition | 10,399 | 8,790 |
| Transfer | 1,099 | 200 |
| Currency adjustment | -6 | 0 |
| As at 31/12/2016 | 13,674 | 9,634 |

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

30. TRADE PAYABLES

As at the reporting date, there were trade payables in the amount of kEUR 359,459 (2015: kEUR 250,394). 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 at 31 December 2016, 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 at the reporting date, these amounted to kEUR 2,973,739 (2015: kEUR 1,321,049).

32. OTHER CURRENT LIABILITIES

Other current liabilities comprise the following items:

| kEUR | 2016 | 2015 |
|------------------------------|---------------|---------------|
| Tax liabilities | 10,253 | 4,990 |
| Liabilities to staff | 3,387 | 5,241 |
| Payments received on account | 776 | 622 |
| Supervisory Board emoluments | 401 | 312 |
| Other liabilities | 1,282 | 1,304 |
| Total | 16,099 | 12,470 |

All other liabilities are short-term.

NOTES ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

33. NOTES ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

The cash flow statement indicates the balance and the development of the cash and cash equivalents of the Group. The cash flow statement 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.

| kEUR | 2016 | 2015 |
|---------------------------------|----------------|---------------|
| Cash and cash equivalent | 127,115 | 122,224 |
| Less liabilities to banks | 17 | 41,750 |
| Cash and cash equivalent | 127,097 | 80,474 |

CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities is determined using the indirect method. In this process, the annual net profit is adjusted for non-cash expenses.

This results in a cash flow from operating activities of kEUR 83,709 (2015: kEUR 39,530). The balance, which increased compared with the previous year, is essentially due to the good operating result.

CASH FLOW FROM INVESTING ACTIVITIES

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

In the financial year 2016, it amounted to kEUR –23,871 (2015: kEUR –49,250) and was shaped by payments for the development of software and 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 and minority shareholders, cash flow from financing activities also includes inflow of funds from short-term financings. It amounts to kEUR –15,569 (2015: kEUR –4,325).

The increase in cash and cash equivalents from EUR 80.5 million to EUR 127.97 million can essentially be explained by cash inflow from operating activities.

OTHER NOTES

34. CLASSIFICATION OF
FINANCIAL INSTRUMENTS AS PER IFRS 7

kEUR

| ASSETS as at 31/12/2015 | Amortised acquisition costs | | Fair Value | | | | Total | |
|-------------------------------------|-----------------------------|------------------|--|--------------|-------------------|------------|------------------|------------------|
| | Other accounts receivable | | Financial assets recognised at fair value through profit or loss (FVTPL) | | | | | |
| | | | Trading (HFT) | | Fair value option | | | |
| Valuation category | Book value | Fair Value | Book value | Fair Value | Book value | Fair Value | Book value | Fair Value |
| Classes of financial instruments | Book value | Fair Value | Book value | Fair Value | Book value | Fair Value | Book value | Fair Value |
| Other equity investments | 203 | 203 | | | | | 203 | 203 |
| Derivative financial instruments | | | 6,615 | 6,615 | | | 6,615 | 6,615 |
| Trade receivables | 269,925 | 269,925 | | | | | 269,925 | 269,925 |
| Other assets | 20,085 | 20,085 | | | | | 20,085 | 20,085 |
| Income tax assets | 1,266 | 1,266 | | | | | 1,266 | 1,266 |
| Accounts receivable from associates | 405 | 405 | | | | | 405 | 405 |
| Restricted bank balances | 1,321,049 | 1,321,049 | | | | | 1,321,049 | 1,321,049 |
| Other cash and bank balances | 122,224 | 122,224 | | | | | 122,224 | 122,224 |
| Total | 1,735,157 | 1,735,157 | 6,615 | 6,615 | 0 | 0 | 1,741,772 | 1,741,772 |

kEUR

| ASSETS as at 31/12/2016 | Amortised acquisition costs | | Fair Value | | | | Total | |
|-------------------------------------|-----------------------------|------------------|--|---------------|-------------------|------------|------------------|------------------|
| | Other accounts receivable | | Financial assets recognised at fair value through profit or loss (FVTPL) | | | | | |
| | | | Trading (HFT) | | Fair value option | | | |
| Valuation category | Book value | Fair Value | Book value | Fair Value | Book value | Fair Value | Book value | Fair Value |
| 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 |
| Income tax assets | 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 |

| kEUR | | | | | | | | |
|--------------------------------------|----------------------------------|------------------|--|--------------|-------------------|------------|------------------|------------------|
| LIABILITIES as at 31/12/2015 | Amortised acquisition costs | | Fair Value | | | | Total | |
| | 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 | Fair Value | Book value | Fair Value | Book value |
| Non-current provisions | 1,954 | 1,954 | | | | | 1,954 | 1,954 |
| Derivative financial instruments | | | 6,615 | 6,615 | | | | |
| Non-current liabilities | 2,204 | 2,204 | | | | | 2,204 | 2,204 |
| Current provisions | 9,634 | 9,634 | | | | | 9,634 | 9,634 |
| Other bankloans and overdrafts | 41,750 | 41,750 | | | | | 41,750 | 41,750 |
| Trade payables | 250,394 | 250,394 | | | | | 250,394 | 250,394 |
| Cash deposits by market participants | 1,321,049 | 1,321,049 | | | | | 1,321,049 | 1,321,049 |
| Other current liabilities | 12,470 | 12,470 | | | | | 12,470 | 12,470 |
| Total | 1,639,455 | 1,639,455 | 6,615 | 6,615 | 0 | 0 | 1,639,455 | 1,639,455 |

| kEUR | | | | | | | | |
|--------------------------------------|----------------------------------|------------------|--|---------------|-------------------|------------|------------------|------------------|
| LIABILITIES as at 31/12/2016 | Amortised acquisition costs | | Fair Value | | | | Total | |
| | 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 | Fair Value | Book value | Fair Value | Book 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 bankloans and overdrafts | 17 | 17 | | | | | 17 | 17 |
| Trade payables | 359,459 | 359,459 | | | | | 359,459 | 359,459 |
| 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 |

Cash and cash equivalents 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 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 past reporting period, the valuation category "Loans and receivables" generated interest income of kEUR 640 (2015: kEUR 895). Furthermore, accounts receivable in the amount of kEUR 10 (2015: kEUR 118) were impaired in the year under review.

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

| kEUR | Note | Daily | | Not more than 1 year | | More than 1 year, not more than 5 years | |
|--|----------|------------------|------------------|----------------------|---------------|--|--------------|
| | | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Trade receivables: from associates, from companies in which participating interests are held and other current assets | [21-23] | 341,580 | 244,843 | 49,373 | 46,838 | 0 | 0 |
| Restricted bank balances | [24] | 2,973,739 | 1,321,049 | 0 | 0 | 0 | 0 |
| Other cash and bank balances | [25] | 116,432 | 94,896 | 10,683 | 27,328 | 0 | 0 |
| Non-derivative financial assets | | 3,431,751 | 1,660,788 | 60,056 | 74,166 | 0 | 0 |
| Non-current liabilities | [28] | | | | | 219 | 2,204 |
| Other bankloans and overdrafts | | 17 | 41,750 | 0 | 0 | 0 | 0 |
| Trade payables: to associates, to companies in which participating interests are held and other current liabilities | [30, 32] | 341,580 | 244,843 | 33,979 | 18,021 | 0 | 0 |
| Cash deposits by market participants | [31] | 2,973,739 | 1,321,049 | 0 | 0 | 0 | 0 |
| Non-derivative financial liabilities | | 3,315,336 | 1,607,642 | 33,979 | 18,021 | 219 | 2,204 |
| Financial assets and derivatives | [20] | 0 | 0 | 10,569 | 2,142 | 31,388 | 4,473 |
| Financial liabilities and derivatives | [20] | 0 | 0 | 10,569 | 2,142 | 31,388 | 4,473 |

35. FINANCIAL RISK AND CAPITAL MANAGEMENT

In accordance with the requirements defined in art. 91 paragraph 2 AktG [German Companies Act], 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 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 to this end. The group companies report to EEX 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 EEX Group, reference is made to the explanations in the management report.

36. TREASURY SHARES

Based on a resolution passed at the annual general meeting on 11 June 2015, EEX is authorised to acquire own shares of up to EUR 4,005,000 of the nominal capital of EEX. Together with the other own shares which are held by the company or are required to be attributed to it according to art. 71 a ff. AktG, the acquired shares must not account for more than 10% of the nominal capital at any time. This authorisation must not be used for the purpose of trading in own shares. The corresponding resolution is valid until 31 December 2017. In the 2015 financial year, EEX used this authorisation. As at the reporting date (31 December 2016), EEX held own shares in the amount of an calculated share in the nominal capital of kEUR 58.

37. TRUST ASSETS

In accordance with the Clearing Conditions, ECC Luxembourg keeps emission allowances surrendered by trading participants in exchange trading in EU emission allowances, in trust in its account at the German Emissions Trading Authority. As at 31 December 2016, these comprised 45,052,037 certificates (2015: 66,102,424 certificates) with a market value of kEUR 205,520 (2015: kEUR 536,411). As a result, there are trust liabilities to the corresponding amount in the form of the beneficiaries' rights to the recovery of the allowances.

38. OTHER FINANCIAL LIABILITIES AND CONTINGENT LIABILITIES

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

31/12/2015

| kEUR | | | |
|------------------------------------|---------------|---------------|-------------------|
| Leased item | Up to 1 year | 1 to 5 years | More than 5 years |
| Systems/maintenance/infrastructure | 13,780 | 14,390 | 5,670 |
| Rent | 2,803 | 5,604 | 5,234 |
| Motor vehicles | 171 | 317 | 214 |
| Others | 1,182 | 306 | 104 |
| Total | 17,936 | 20,617 | 11,222 |

31/12/2016

| kEUR | | | |
|------------------------------------|---------------|---------------|-------------------|
| 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 |

39. AUDITOR FEES ACCORDING TO SEC. 314 NO. 9 HGB [GERMAN COMMERCIAL CODE]

| kEUR | 2016 | 2015 |
|-------------------------|------------|------------|
| Annual audit | 394 | 317 |
| Other auditing services | 51 | 50 |
| Others | 59 | 45 |
| Total | 505 | 411 |

40. RELATIONS WITH RELATED PARTIES AND COMPANIES

According to IAS 24, those persons and companies, who or which dominate the Group or exercise decisive influence over it or who or which are dominated by the Group or over which the Group exercises decisive 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.

RELATIONS WITH RELATED PERSONS

Management Board

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

Supervisory Board

| | | |
|---|--|---|
| Dr Jürgen Kroneberg (Chairman) Lawyer, Cologne | Dr Nigel Hawkins (from 20 January 2016) Head of Power & Fuel Portfolio Management, Enel Trade S.p.A., Rome/Italy | Dr Michael Redanz Managing Director, EWE Trading GmbH, Bremen |
| Dr Hartmut Mangold (Vice-Chairman) Secretary of State, Saxon State Ministry for Economic Affairs, Labour and Transport, Dresden | Ulf Heitmüller Chairman of the Executive Board, VNG – Verbundnetz Gas Aktiengesellschaft, Leipzig | Klaus Rohatsch Member of the Management Team, EDF SA, Cattenom/France |
| Jürg Spillmann (Vice-Chairman) Member of the Executive Board, Eurex Zürich AG, Zurich/Switzerland | Burkhard Jung Mayor of the City of Leipzig, Leipzig | Dr Randolph Roth (until 16 June 2016) Head of Eurex Market Design, Eurex Frankfurt AG, Eschborn |
| Hans E. Schweickardt (Vice-Chairman) Chairman of the Supervisory Board, Polenergia S.à.r.l., Warsaw/Poland | Michael Lockett Director of Power Dispatch & Real-Time Trading, Uniper Global Commodities SE, Düsseldorf | Uwe Schweickert Managing Director Market Operations & Executive Office, Deutsche Börse AG, Eschborn |
| Dr Hans-Joachim Arnold Head Legal/Compliance, Innogy SE, Essen | Katja Mayer Managing Partner, KM Networks GmbH, Hofheim | Marco Steeg Head of Financial Accounting & Controlling, Deutsche Börse AG, Eschborn |
| Dr Dirk Biermann Managing Director, 50Hertz Transmission GmbH, Berlin | Prof. Harald R. Pfab Managing Director, HHP Beratung GmbH, Fronreute | |
| Heike Eckert Member of the Management Board, Eurex Clearing AG, Eschborn | Andreas Preuß (from 16 June 2016) Deputy Chief Executive Officer, Deutsche Börse AG, Eschborn | |

The members of the Supervisory Board of EEX received emoluments of kEUR 341 for their work during the financial year. The payment will be made in 2017.

RELATIONS WITH RELATED COMPANIES

On 31 December 2016, Eurex Zürich AG with registered offices in Zurich, Switzerland, held 62.91% of the shares in EEX (2015: 62.91%) after deduction of the own shares held by EEX.

The relations with companies belonging to Deutsche Börse Group are as follows:

| kEUR | 2016 | 2015 |
|---|-------|--------|
| Deutsche Börse Group | | |
| EEX Group as the recipient of services | | |
| Provision of trading system & IT infrastructure | 7,471 | 10,927 |
| Provision of services | 1,331 | 203 |
| Financial services | 0 | 34 |
| EEX Group as the provider of services | | |
| Provision of market data | -275 | -446 |
| Account receivable as at 31 December | 117 | 110 |
| Liability as at 31 December | 2,426 | 1,887 |
| Financial receivable as at 31 December | 0 | 5,007 |

RELATIONS WITH UNCONSOLIDATED COMPANIES, ASSOCIATES AND JOINT VENTURES

| kEUR | 2016 | 2015 |
|---------------------------------------|------|------|
| SEEPEX a.d. | | |
| EEX Group as the provider of services | | |
| Provision of services | -276 | 0 |
| Project costs | 0 | -397 |
| Account receivable as at 31 December | 313 | 397 |

Representatives of the further shareholders of Powernext S.A. hold key positions on the board of directors of Powernext SA. At the same time, these representatives hold key positions at the respective shareholding companies GRTgaz, Bois-Colombes, France, parent company of 3GRT, Tarascon, France, and EDEV SA, Courbevoie, France. In the financial year 2016, 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 937 was generated in 2016.

**41. OVERVIEW OF SHAREHOLDINGS
AS AT REPORTING DATE ACCORDING
TO SEC. 313 PARA. 2 NOS 1 TO 4 HGB
[GERMAN COMMERCIAL CODE]**

| Company | Headquarters | Share in capital directly (indirectly) 31/12/2016 |
|--|----------------|--|
| Companies that are fully included in the scope of consolidation | | |
| Agricultural Commodity Exchange GmbH | Germany | 100% |
| APX Commodities Ltd. | United Kingdom | (46%) |
| APX Shipping B.V. | Netherlands | 100% |
| Cleartrade Exchange (UK) Ltd in liquidation | United Kingdom | (100%) |
| Cleartrade Exchange Pte Ltd | Singapore | 100% |
| EEX Link GmbH | Germany | 100% |
| EEX Power Derivatives GmbH | Germany | 100% |
| EPEX SPOT Belgium S.A. | Belgium | (46%) |
| EPEX SPOT Schweiz AG | Switzerland | (46%) |
| EPEX SPOT SE | France | (46%) |
| European Commodity Clearing AG | Germany | 100% |
| European Commodity Clearing Luxembourg S.à r.l. | Luxembourg | 100% |
| Gaspoint Nordic A/S | Denmark | (88%) |
| Global Environmental Exchange GmbH | Germany | 100% |
| JV Epex-Soops B.V. | Netherlands | (28%) |
| PEGAS CEGH Gas Exchange Services GmbH | Austria | (45%) |
| Power Exchange Central Europe a.s. | Czech Republic | 67% |
| Powernext SA | France | 88% |
| Joint ventures and associated companies that are assessed at equity | | |
| EMCC GmbH in liquidation | Germany | 20% |
| Index Marketing Solutions Limited | United Kingdom | (50%) |
| SEEPEX a.d. | Serbia | (12%) |
| Other equity investments | | |
| store-x Storage Capacity Exchange GmbH in liquidation | Germany | 12% |

42. WAIVER ACCORDING TO SEC. 264 PARA. 3 HGB AND SEC. 264B HGB [GERMAN COMMERCIAL CODE]

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

EEX Power Derivatives GmbH, Leipzig

43. ESSENTIAL EVENTS AFTER THE REPORTING DATE

There were no essential events after the reporting date.

Leipzig, 3 March 2017



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



We have expressed our unqualified opinion as follows:

“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 report on the position of the Company and the Group for the business year from January 1, 2016 to December 31, 2016. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by 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 parent company’s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB [Handelsgesetzbuch “German Commercial Code”] 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 the applicable financial reporting framework and in the group 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 group 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 group 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 IFRSs, as adopted by 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 group 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 3, 2017

KPMG AG
Wirtschaftsprüfungsgesellschaft

A handwritten signature in blue ink, appearing to be 'Dielehner', written in a cursive style.

Dielehner
Auditor

A handwritten signature in blue ink, appearing to be 'Jung', written in a cursive style.

Jung
Auditor

LOCATIONS

LEIPZIG

(Headquarters)

AMSTERDAM

BERLIN

BERN

BRUSSELS

COPENHAGEN

LONDON

LUXEMBOURG

MADRID

MILAN

PARIS

PRAGUE

OSLO

SINGAPORE

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GLOSSARY

Auction

Trading form for pricing and matching of bid and ask orders into trades. In auctions, all orders in the order book are matched to form transactions at a given point in time.

Back-end

The central trading system is called the back-end of the exchange. This system is responsible for matching supply and demand and processes these in accordance with specific execution rules.

Broker

This is a term for companies that do not conclude transactions for their own account but on behalf of a third party. On EEX, brokers assume the arrangement of transactions concluded over the counter (OTC trades).

Clearing house

This is a body which steps into the process chain between the buyer and seller in the capacity of a central counterparty. The clearing house settles the transactions with the buyer and seller, carries out the delivery of transactions with these and collateralises the transactions.

Continuous trading

This is a form of trading in which all orders in the order book (bid and ask) are constantly checked as to whether they are executable. As soon as there are two matching executable orders, these are immediately combined into a trade.

Cross-Margining

Cross-margining refers to the offsetting of opposite risks. Offsetting becomes possible as a result of a high correlation in price movements. Cross-margining permits the reduction of margins paid by trading participants who are actively trading various products on various markets.

Day-ahead market

This is a sub-market of the spot market on which products can be traded up until one day before delivery.

Derivatives market

Trading transactions concluded on the derivatives market are settled physically or financially at a later time which is agreed in advance. Trading on the derivatives market permits portfolio optimisation in the medium to long term. On the EEX derivatives market, trading participants can hedge against price risks up to nine years in the future.

EU ETS

EU Emission Trading System—The emissions trading scheme of the European Union, which was launched as the first multinational emissions trading system in 2005. The first trading period of the EU ETS was from 2005 to 2007 and the second trading period was from 2008 to 2012. The third EU ETS period began in 2013 and will end in 2020.

EUA

EU Allowance—One EUA confers the right to emit one tonne of CO₂ equivalent. An EUA is the smallest tradable unit in EU emissions trading.

Front-end

This term refers to the user interface of a trading system for the participants which permits the exchange of data with the back-end. The trading participants have the possibility to use individual front-ends or ISV software.

Future

A future is the contractual obligation to buy (buyer of a future) or sell (seller of a future) a specified quantity of an underlying security at a specified price during a specified future period (delivery period). Futures contracts are exclusively traded on regulated exchanges and settled on a daily basis at the current market price.

ISV

Independent Software Vendor—An ISV offers solutions for trading. EEX cooperates with a large number of ISVs.

Market coupling

This is a process employed to efficiently manage grid congestion between adjacent power spot markets. This is done with the help of implicit auctions of grid capacities. In order to achieve this, the spot auctions of the exchanges taking part must be coordinated.

Market maker

A market maker is a trading participant who holds both a buy and a sell order (quote) in the order book for a minimum period during the trading day. Market makers help to ensure basic liquidity in the order book.

Open Interest

The Open Interest refers to the total of all derivatives contracts which are open (i.e. not yet settled) at a given point in time. It corresponds to the total number of derivatives contracts in a given market that have not yet been closed out, fulfilled by means of the physical delivery of the underlying asset or executed via cash settlement.

Option

An option is the contractual right to buy (buy or call option) or sell (sell or put option) a specified volume of an underlying security at a specified price and a predetermined future time.

Primary market auction

In the framework of primary market auctions, CO₂ emission allowances are issued to the market for the first time. EEX has carried out these auctions as a service provider since 2010. At present, auctions are carried out on the EEX spot market on behalf of 27 EU Member States.

Secondary market

Continuous trading of CO₂ emission allowances takes place on the secondary market. EEX operates the secondary market for EU Allowances (EUA), EU Aviation Allowances (EUAA) and Certified Emission Reductions (CER).

Settlement price

Daily market price for a futures or options contract which is established by the exchange and used for its daily settlement.

Spot market

Trading transactions concluded on the spot market are settled physically at the latest two days after the conclusion of the trade. The spot market is used for the short-term optimisation of procurement and sales on the market.

Spread

A spread is the difference between the best buy and the best sell offer. It can further be differentiated into location and time spreads. The location spread is the price difference between two futures with the same maturity and expiry, but different delivery areas. A time spread depicts the price range between two futures with the same delivery area and maturity, but different expiry dates.

Trade registration

A service which enables the trading participants to register transactions concluded over the counter (OTC transactions) on the exchange, as a result of which clearing and settlement are provided by the clearing house.

Trade reporting service (TRS)

With this service, participants use the exchange infrastructure to report trading data and thus implement regulatory reporting requirements.

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