

# 2017

## ANNUAL REPORT



**keler ccp**



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KELER CCP

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## CHAIRMAN'S MESSAGE

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ZSOLT SELMECZI-KOVÁCS DR.

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2017 was an eventful year from a political and economic environment perspective and it brought both domestic and international regulatory changes with substantial influence on the financial infrastructure. All in all, the positive economic trends had a favourable effect on the operation and fee income of the KELER Group.

Related to the strategic development objectives of the following years, it is also of great importance that the successful joining of the TARGET-2-Securities (T2S) system, as of 6 February 2017, Keler is now a member of the European settlement security system. The entry into T2S makes securities transaction settlement more secure and efficient, and also improves international access to Hungarian securities.

Changes in the regulatory environment presented challenges to all depositories in the European Union. In line with the requirements of the CSDR (Central Securities Depositories Regulation), KELER started the required repeated authorization process in 2017 related to the provision of central securities depository and banking-type ancillary services.

It deserves highlighting that KELER as a service provider offers considerable assistance to market players in both the capital and the energy markets to meet the various regulatory, transaction and transparency reporting requirements with the extension of the Trade Reporting services offered by KELER. These developments and the continuation of the Strategic Modernization Program, the improvement of account management and settlement systems contribute to the creation of the expanding service offering of the modern national central securities depository and the implementation of its vision.

Similarly to earlier periods, KELER CCP was active in building client relationships and acquiring new clients, both clearing members and non-clearing members. Parallel with its regional and Pan-European clearing service provider role, KELER CCP is an active participant and supporter of the development of the Hungarian capital and energy markets, the introduction of new services.

The complex risk management and clearing activity performed by KELER CCP related to the Xtend trading venue designed to promote the listing of small and medium enterprises and created by the Budapest Stock Exchange in September 2017, and the successful switch in the spot and futures markets of CEEGEX, the Hungarian gas exchange, from HUF-based trading to Euro-based trading and related Euro-based clearing and financial settlement provided by KELER CCP illustrate the role KELER CCP plays in the market.

In 2017, KELER CCP finalized the required developments and closed the authorization process related to the transparent and secure clearing of HUDEX Hungarian Derivative Energy Exchange, the new Hungarian exchange launched on 3 January 2018.

As we close 2017, it is with pleasure that we look ahead at 2018 when we celebrate the 25th anniversary of KELER and the 10th anniversary of KELER CCP.

We can say with confidence that we close a memorable year: the changes of operation implemented in 2017 were made in the interest of one common goal, to improve the competitiveness of the KELER Group. The challenges ahead of the Group can be met only by joining our forces, and the expertise and commitment of our colleagues and the trust of our owners represent our greatest strengths.

I would like to say thank you to the owners for their continued support and to all the KELER Group employees for their persistent and constructive work that contributed to the successes of 2017. Our partners played a key role in the results achieved last year, therefore, on behalf of the KELER Group, I say thank you to the Hungarian banks, investment firms, issuers and capital, gas and energy market participants for their support.



ZSOLT SELMECZI-KOVÁCS DR.  
Chairman

## MARKET ENVIRONMENT

The year 2017 was an extremely eventful period globally, with numerous factors influencing the money, capital and energy markets, and thus market sentiment. There were several major changes in international politics: in January 2017, Donald Trump was inaugurated President of the United States, and in March, the process to end the EU membership of Great Britain started, and then Emmanuel Macron won the French presidential election in May. In June, a snap general election was held in Great Britain and Theresa May formed a minority government. The German federal elections in September 2017 were followed by the Spanish referendum on the independence of Catalonia in October, and in December, the President resigned and a new prime minister was appointed in Poland.

In this political environment, the Dow Jones Industrial Average Index (DJIA), the US equity index with a long history, gained 25.08% compared to the previous year closing value, and closed the year at 24 719.22 points. The major European stock exchange indices also performed well, the DAX in Frankfurt was up 12.51%, while the London FTSE gained 7.63%. Consequently, the DAX closed the year at 12 917.64 points, while the FTSE was at 7 687.8 points on the last day.

In the FX markets, the Euro weakened continuously against the US Dollar during the year, the EUR/USD exchange rate was 1.0527 at the beginning of the year and strengthened to 1.1942 by the end of the year. The EUR/CHF exchange rate moved in a thin band in the first half of the year, but the Swiss Franc showed signs of strengthening against the US Dollar in the second half, and closed the year 8.56% higher

than in the previous year. The EUR/GBP rate was 0.8885 on the last trading day, an increase of 3.24% compared to the previous period.

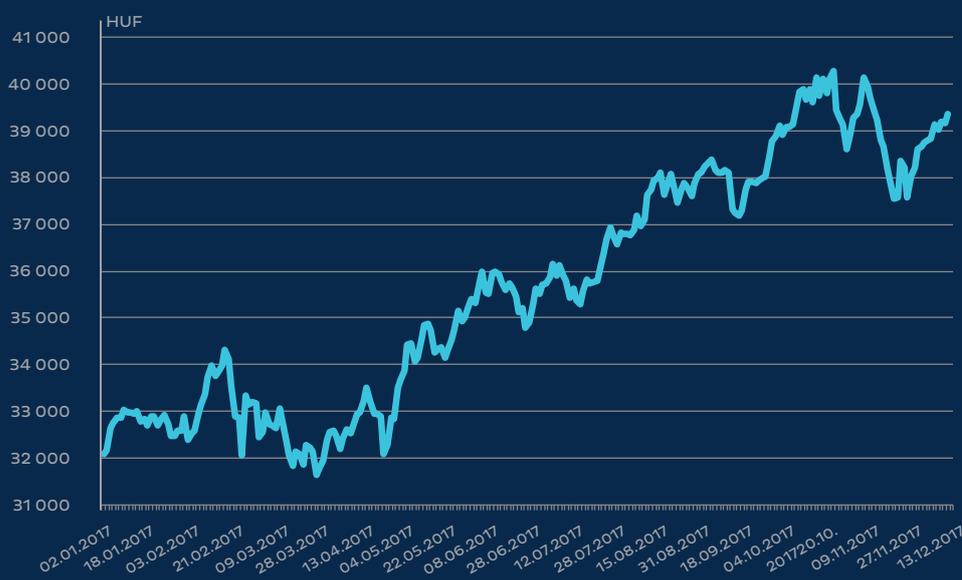
During the year, our national currency against the Euro was rather volatile, with rates moving in the band between 302 and 314 Forints. The rate reached its annual peak at 314.69 in December.

In Hungary, the base rate did not change during 2017, and closed the year at 0.90%. The basic inflation indicators increased slightly but gradually; while the consumer price index was 1.8% in December 2016, the end of 2017 saw a consumer price index of 2.1%.

At the end of 2017, Hungarian public debt amounted to HUF 26 746.2 billion, an increase of 5.1% compared to the amount at the end of 2016. As for the currency structure of the public debt, 77.35% was Forint-based, 21.62% was foreign currency based and other liabilities represented 1.03%.

BUX, the stock market index of the Budapest Stock Exchange (BSE), closed 2017 at 39 377 points, 23% higher than the closing value of the previous period. The index value increased steadily during the year and moved between price levels of 30 and 40 thousand points. The index value peaked at 40 273 Forint on 11 September. The lowest index value of the year was recorded at the end of the first quarter, on 31 March, at 31 634 points.

### CHANGES OF THE BUX INDEX IN 2017



## KELER CCP'S ACTIVITY

### DYNAMIC BUSINESS GROWTH

As one of the most dynamically developing, stable and reliable financial infrastructure provider in Central and Eastern Europe in 2017 also, KELER CCP served an expanding group of domestic and international clients.

### UNIQUE SERVICES

KELER CCP is unique not only in the region, but also in Europe due to the wide range of instruments it clears. As an independent clearing house, it has been serving the participants of the Hungarian securities, derivative capital and natural gas markets for nearly a decade, and, at the same time, as general clearing member service provider, it offers direct access to the dominant European energy markets. In 2017, KELER CCP strengthened its international presence and created the foundation to be the first in the region to offer cross-border service to the Romanian Commodity Exchange.

### DIVERSE SERVICES

In 2017, KELER CCP offered clearing services to the following 6 market operators related to the trading venues they operate: Budapest Stock Exchange, EuroMTS Ltd., FGSZ Natural Gas Transmission Ltd., FGSZ TP Ltd., HUPX Ltd. and CEEGEX Ltd. Additionally, as part of the cooperation agreement concluded in 2016, it works on launching the forward gas trading platform of the Romanian Commodity Exchange, and, in October 2017, it successfully switched the CEEGEX domestic gas exchange clearing to Euro-based. KELER CCP successfully prepared to provide clearing services to the new future energy exchange operated by HUDEX Derivative Energy Exchange Ltd. and starting operation on 3 January 2018.

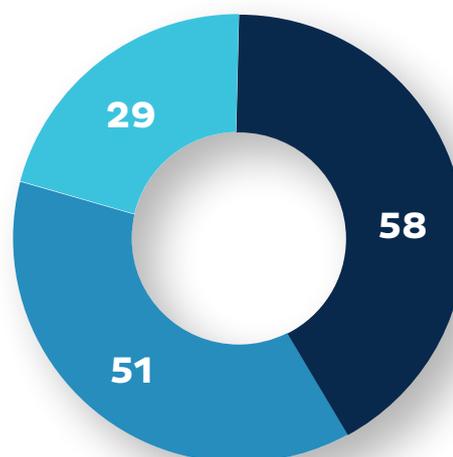
### STRICT OVERSIGHT

The successfully closed repeated licensing process under Regulation EU 648/2012 (EMIR) crowned the operation of KELER CCP, and on 4 July 4 2014, KELER CCP was authorized to perform central counterparty activity. Currently there are 16 licensed clearing houses operating in Europe, including only 2 regional entities. Subject to continuous oversight

### INTERNATIONAL CLIENTS

During the years, KELER CCP has become a Pan-European market player, also decisive internationally, from a primarily domestic service provider. At the end of 2017, it offered clearing services to 138 direct and indirect clients from 23 countries. The structure of the group of clients is extremely varied, there are domestic and international financial institutions (banks and investment firms), and non-financial players including natural gas and power market traders, producers and system operators.

### CLIENTS BY REGION



■ Western Europe ■ Hungary ■ Central, Eastern and Southeastern Europe

by the Magyar Nemzeti Bank, KELER CCP is required to evidence compliance with regulations in supervisory and oversight assessments due annually and every second year, and KELER CCP always met this requirement.

## REGULATORY ENVIRONMENT

KELER CCP is a central counterparty governed by the provisions of Act CXX of 2001 on the Capital Market (hereinafter: Act on Capital Market) and Regulation (EU) 648/2012 on OTC derivatives, central counterparties and trade repositories (hereinafter: EMIR), a company guaranteeing exchange and off-exchange capital market transactions.

KELER CCP operates in line with the above regulations and the provisions of the orders of the Magyar Nemzeti Bank (Central Bank of Hungary), the authority overseeing the company.

KELER CCP undertakes central counterparty and clearing activities as licensed in the Supervisory Authority Decree H-EN-294/2017, dated 7 September 2017, based on Supervisory Authority Decree H-EN-III-43/2014, dated 4 July 2014, in line with the provisions of the Act on Capital Market and EMIR.

In accordance with the agreement concluded, KELER CCP outsources certain parts of its activity to KELER in compliance with the requirements of the Act on Capital Market, EMIR and other applicable legal regulations valid from time to time.

**In 2017, the operation of KELER CCP was affected by the following new regulations and changes to regulations, and these will continue to affect operation after they are published in 2017 or before 2017:**

- Act CXX of 2001 on the Capital Market;
- Regulation (EU) 648/2012 on OTC derivatives, central counterparties and trade repositories (EMIR);
- Act LIII of 2017 on the Prevention and Combating of Money Laundering and Terrorist Financing.

**The Annual General Meeting of KELER CCP was held on 17 May 2017. The agenda items included the following items among others:**

- report by the KELER CCP Board of Directors on the 2016 business activity;
- acceptance of the financial statements in line with Act C of 2000 on Accounting, decision on the distribution of profit after tax;
- decision to grant discharge;
- decision to modify the Bylaws;
- amendment of the procedures of the Supervisory Board;
- election of the auditor of KELER CCP Ltd.;
- Amendment of the Regulation on the Remuneration of Executive Officers, Supervisory Board Members and Employees in Management Positions subject to Section 208 of the Labour Code and Benefits in case of Termination of Legal Relationship.



## BUSINESS RESULTS OF KELER CCP

Global economic recovery continued in 2017. The region of Central and Eastern Europe by the European Union, and within this region Hungary, closed a good year.

Hungarian GDP increased by 4% in 2017, in other words the Hungarian economy achieved real economic recovery, as demonstrated by one of the strongest rates of increase in the last decade. The favourable macroeconomic figure is primarily due to the increased use of EU subsidies and recovering internal consumption resulting from the increase of nearly 10% of wages. Inflation also followed an upward path, and the rate of inflation was around 2.3%.

These positive market trends had a favourable influence on the operation of KELER CCP in 2017, resulting in a fee income HUF 90 million higher than in the previous period.

While income from the capital market was HUF 10 million higher than a year earlier, the energy market produced an outstanding boom in 2017 also, with related fee income exceeding the record fee income realized in 2016 with nearly HUF 40 million.

In the gas markets, income from the Trading Platform and from balancing transactions did not change. However, CEEGEX market spot and futures income nearly tripled.

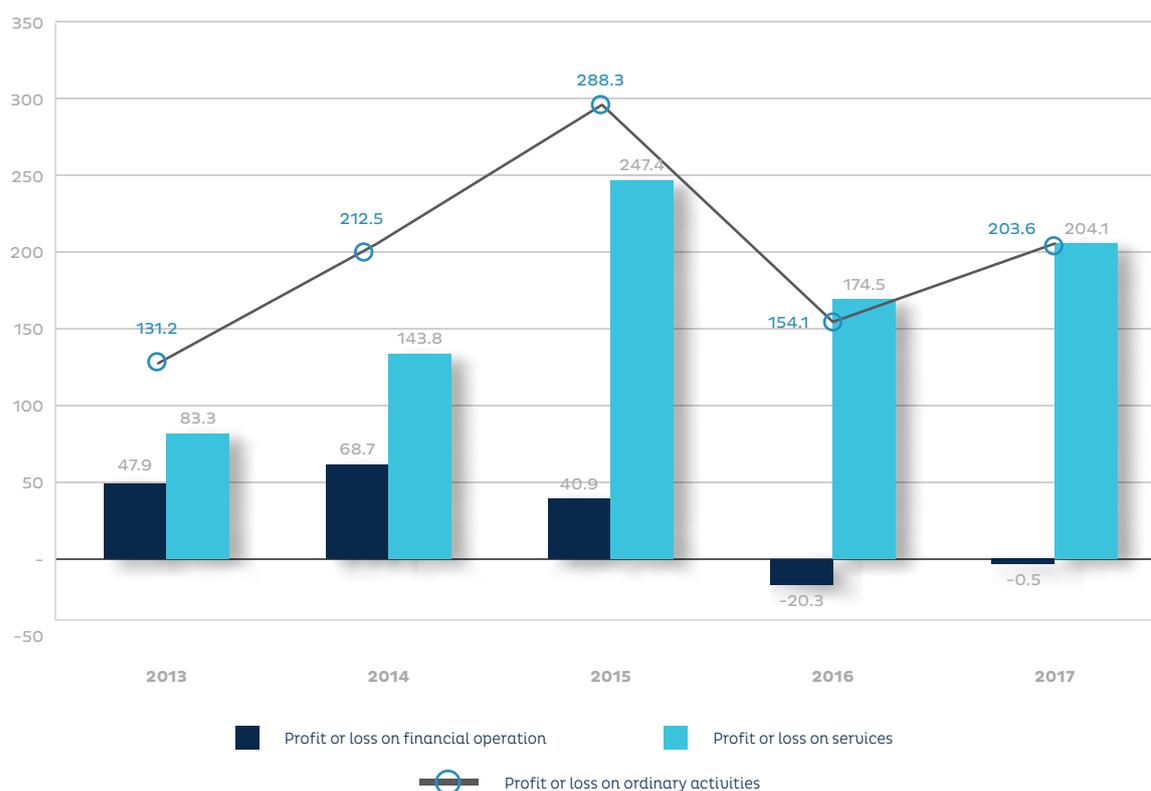
The operating costs and expenses of KELER CCP Ltd. exceeded the previous period figure by HUF 80 million, but were more than HUF 140 million less than planned due to strict cost management.

Profit or loss on services amounted to HUF 204.1 million, more than double of the planned figure.

The 2017 profit or loss on financial operation totalled HUF -0.5 million, mainly due to the low interest rate environment and the unfavourable influence of exchange rate changes.

All in all, KELER CCP Ltd. closed a successful year and realized profit before tax well above the planned amount. Profit before tax is expected to amount to HUF 203.6 million.

### PROFIT OR LOSS ON FINANCIAL OPERATION, SERVICES AND ORDINARY ACTIVITIES, 2013-2017 (HUF MILLION)



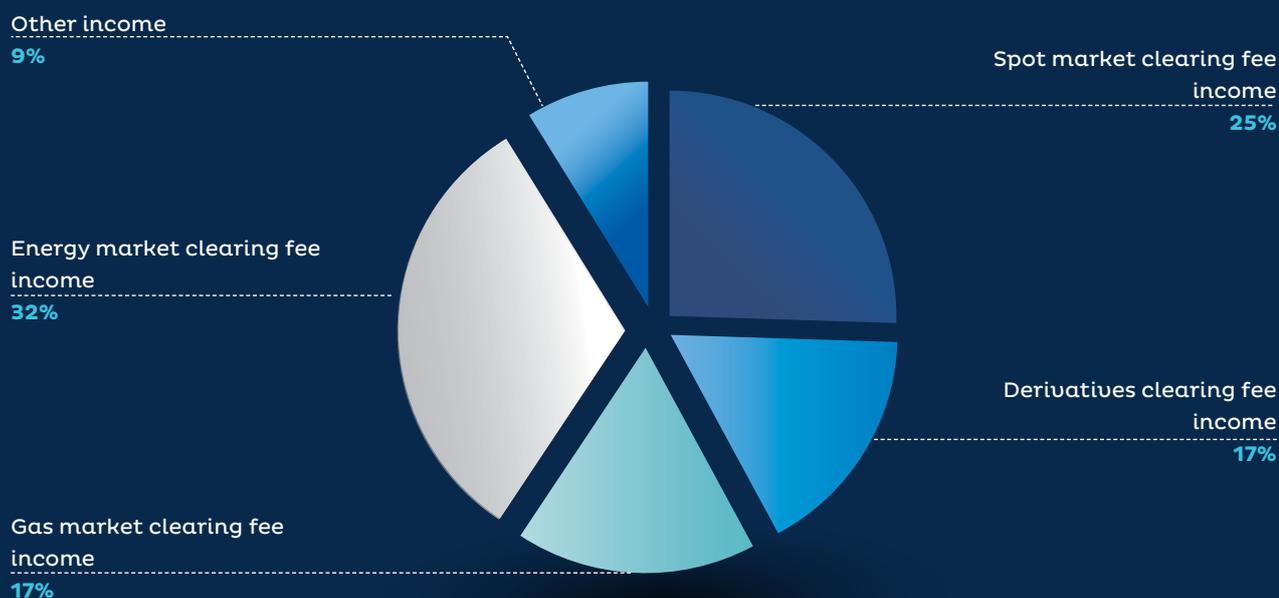
## KELER CCP PROFIT AND LOSS

(in million HUF)

NO.	ITEM DESCRIPTION	"2016 actual KELER CCP Group**	"2017 plan KELER CCP Group**	"2017 actual KELER CCP"	Actual/plan (%)
<b>A.</b>	<b>Profit or loss on financial operation</b>	<b>-20.3</b>	<b>12.0</b>	<b>-0.5</b>	<b>-4%</b>
1.	Commissions and fees received	1 175.2	1 331.5	1 263.9	95%
2.	Other income	103.1	80.0	121.8	152%
<b>B.</b>	<b>Income from services (B. = 1. + 2.)</b>	<b>1 278.3</b>	<b>1 411.5</b>	<b>1 385.7</b>	<b>98%</b>
3.	Commissions and fees paid or payable	2.5	-	-	-
4.	General administrative expenses	915.0	1 145.7	1 029.5	90%
5.	Depreciation	89.2	126.8	100.0	79%
C.	Total cost of operation (C.= 3. + 4. + 5.)	1 006.7	1 272.4	1 129.5	89%
D.	Other expenses	97.1	52.9	52.0	98%
E.	Cost of operation and expenses of services (E.= C. + D.)	1 103.8	1 325.3	1 181.6	89%
<b>F.</b>	<b>Profit or loss on services (F. = B. - E. - 13.)</b>	<b>174.5</b>	<b>86.2</b>	<b>204.1</b>	<b>237%</b>
<b>G.</b>	<b>Profit or loss on ordinary activities (G. = A. + F.)</b>	<b>154.1</b>	<b>98.2</b>	<b>203.6</b>	<b>207%</b>
<b>I.</b>	<b>PROFIT OR LOSS BEFORE TAX (I. = G. + H.)</b>	<b>154.1</b>	<b>98.2</b>	<b>203.6</b>	<b>207%</b>
K.	Corporate tax	20.8	8.8	18.3	207%
<b>M.</b>	<b>PROFIT OR LOSS AFTER TAX (M. = I. - J. - K. - L.)</b>	<b>133.3</b>	<b>89.3</b>	<b>185.2</b>	<b>207%</b>
<b>R.</b>	<b>PROFIT OR LOSS FOR THE FINANCIAL YEAR (R.=M.-N.-O.-P.)</b>	<b>133.3</b>	<b>89.3</b>	<b>185.2</b>	<b>207%</b>

\* KELER Energy Lux subsidiary was closed in 2016, the arising costs are included in the appropriate lines.

## STRUCTURE OF INCOME FROM SERVICES (2017)





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## RISK MANAGEMENT

### COUNTERPARTY RISKS

#### Clearing membership system

In 2017, the number of KELER CCP clearing members and non-clearing members continued to grow, mainly in the gas and energy markets. As for the number of capital market clearing members, at the end of 2017 there were 21 clearing members, a decrease of two compared to the figure at the end of 2016. Capital market clearing members included 4 Hungarian branches of foreign banks, 1 Hungarian branch of a foreign investment firm, 1 foreign investment firm and 1 foreign bank, 5 investment firms and 9 Hungarian banks.

The Trading Platform had 38 gas market clearing members at the end of 2017, an increase of seven compared to the

number of clearing members at the end of 2016. The number of CEEGEX gas market clearing members was 24 at the end of 2017, an increase of 10 compared to the number of partners at the end of 2016. By the end of 2017, the number of non-clearing members in the energy markets cleared by ECC grew to 77 compared to 76 in the previous period.

In 2016, KELER CCP introduced a Know-Your-Customer (KYC) questionnaire for gas market clearing members and energy market non-clearing members to support the correct risk profiling of counterparties and used the questionnaire without changes in 2017 again.

### MARKET RISKS

#### Clearing members' individual collateral

As a key risk management operation, KELER CCP continuously monitors that individual margin requirements are met, and manages the collateral system. In 2017, capital market initial margins and related spread discounts were changed on several occasions, and initial margin requirements for new products were defined based on available information. The margining methodology is compliant with the requirements of legislation.

There was no need to change the methodology of energy market margining in 2017. In order to improve the management of spot energy market risks, KELER CCP introduced so-called pre-trading limits offered by the ECC.

A full trading limit is defined for each participant trading in the spot energy market based on rating (counterparty limit) and margin instrument amount (supplementary trading limit), which restricts the financial obligation the energy market non-clearing member can take.

The switching of trade and clearing currencies from HUF to EUR in the CEEGEX spot market as of 1 October 2017 was a major change. KELER CCP prepared its clearing system for clearing in the new trade currency, and also made the necessary parameter changes to introduce clearing in Euro.



## Default funds

KELER CCP Risk Management checks daily that the amount of capital market and CEEGEX default funds complies with the requirements of EMIR, and, as part of regulatory compliance, it applies a default fund calculation methodology based on the result of the daily stress test calculation. The default fund calculation methodology was reviewed and, as of September 2017, the look-back

period was changed to 3 months from 6 months and, as of the same date, the procyclicality correction parameter is defined based on the average data of 3 months.

On the Trading Platform market, the default funds ensured an appropriate coverage for all potential risks, the related methodology was reviewed, there were no changes needed.

## Collaterals

In the subject period, the group of eligible collateral instruments was determined in line with the requirements of EMIR, the parameters of eligibility were reviewed regularly. In 2017, a new haircut maturity category was introduced related to eligible government securities, for the Hungarian government securities maturing beyond

10 years, thus facilitating the more efficient management of risks resulting from yield curve changes. Due to the change of trade currency in the CEEGEX market, as of October 2017, bank guarantees denominated in Euro are eligible in the spot market.

## MARKET AND PRODUCT DEVELOPMENTS

### BUDAPEST STOCK EXCHANGE

2017 was the first full business year in the implementation of the 5-year strategy until 2020 and announced in the previous year. The BSE stated that one of its key goals is to increase the opportunities of funding for domestic companies, and thus supporting them in going public and improving the competitiveness of the Hungarian economy. As part of this process, the BSE continued to work on establishing the National Exchange Development Fund (NEDF).

The objective of establishing the NEDF is to support the companies that undertake to enter the BSE Xtend market. The official start of BSE Xtend in September 2017 is a major event in the life of the BSE, as it means the licensing of a new trading venue dedicated to assisting small and medium enterprises (SMEs) going public. KELER CCP performs the complex risk management and clearing of the BSE Xtend market, related to which IT developments were completed and KELER CCP was licensed by the MNB.

Turnover and the number of listed companies are important measures of the successful operation of the Exchange. The BSE produced good results in these fields as after the successful listings in 2016, there were two share listings in 2017 (UBM Holding and Waberer's), and the shares of two companies listed earlier (Masterplast and OPUS Global) were upgraded into the Premium category.

In addition to the share listings, the BSE product portfolio continued to grow with the listing of a number of new certificates, debt instruments and investment fund units.

### MTS HUNGARY

The platform offered a wide range of products to the domestic and international participants of the government bond primary dealer system in 2017 also, including instruments such as Hungarian government bonds, discount Treasury bills and student loan bonds in addition to bonds issued by MFB Hungarian Development Bank.



Altogether nearly 200 new instruments were listed in 2017. The continuation of the bond issue program of Eximbank started at the end of 2016 and the listing of the bonds issued by MFB Hungarian Development Bank are important events on the debt instrument market.

In order to stimulate turnover on the BSE, the futures BUX market making system was started in December 2016, which is supported by the BSE and KELER CCP in the form of discounts also. The market making system achieved its goal, and the system and the related discount that the BSE and KELER CCP will maintain in the future generated additional market turnover.

### TRADING PLATFORM (FGSZ)

As part of the implementation of the European Union regulations governing the operation of natural gas markets (jointly the so-called Network Code), as of 1 October 2017, the clearing of balancing and trading transactions are separated.

## CEEGEX

CEEGEX took another major step in competing with European markets on 1 October 2017 when it successfully switched to Euro-based trading from the earlier trading currency of Forint on both the spot and the futures market, related clearing and financial settlement were also changed to Euro-based. This step ensures easy and transparent comparison of domestic natural gas prices

and prices in neighbouring Western countries. Additionally, the risks resulting from the earlier HUF/EUR conversion were eliminated from trading, further improving the competitiveness of market participants. KELER CCP made the necessary IT developments related to the start of Euro-based trading and was licensed by the MNB.

## HUDEX

Simultaneously with the taking force of MiFID II regulating the securities markets, as of 3 January 2018, HUDEX Derivative Energy Exchange Ltd., a new exchange started operation in Hungary. The changes in MiFID requiring that financial instruments are traded only on regulated markets or MTF made it necessary to create and launch this new exchange. KELER CCP continues to ensure the transparent and secure clearing of futures contracts with physical delivery, now traded in the HUDEX/Gas segment as financial instruments and earlier traded on the CEEGEX PHF market.

In cooperation with HUDEX, KELER CCP ensured continuous trading in the new exchange and a futures gas market transition nearly unnoticed by market participants. Related to this change, KELER CCP made the IT developments necessary to prepare the mandatory EMIR reports and was successfully licensed.

The creation of HUDEX made it possible to list even futures gas products with only financial settlement.

## ENERGY MARKETS

In 2017, the energy market turnover cleared by KELER CCP continued to grow dynamically and strongly. Following the trend of earlier periods, the consolidation of energy market platforms continued as the futures market in Prague (PXE) merged with Powernext seated in Paris. New platforms were created also, and steps were made in 2017 to prepare for the clearing of SEMOpX starting in the spring of 2018 and

engaging in spot power trading in Ireland and Northern Ireland. As the leading clearing service provider of the region, KELER CCP monitors closely the recently announced power exchange establishments in the countries of Southern and Central Europe, such as Greece, Bosnia Herzegovina, Albania, the Republic of Macedonia and Montenegro.

## TRADING VENUES AND FIGURES

### Budapest Stock Exchange – Cash market

The aggregate single-counted BSE cash securities market turnover of HUF 2 778.7 billion in 2017 is an increase of 16% compared to 2016. Average daily turnover increased to HUF 11.07 billion from HUF 9.5 billion in the previous year (251 trading days in 2017, 252 trading days in 2016).

The market share of equities within cash market turnover amounted to 96.8% (95.54% in 2016), with annual turnover of HUF 2 690.1 billion. This is an increase of 17.5% compared to the previous year turnover. Daily average share turnover reached HUF 10.7 billion in 2017 (HUF 9.1 billion in 2016).

In 2017, the single-counted number of registered BSE cash market transactions was 1 940 528, an increase of 20.1%. The number of equities trades registered an outstanding increase of 30% and amounted to 1 743 570 within the total transaction figure. In 2017, on average 7 731 trades were made on the BSE cash market (6 435 trades in 2016), within this on average 6 946 equities trades were made daily in 2017.

## BUDAPEST STOCK EXCHANGE - BÉTA MARKET

In 2017, the equities of 21 international issuers were traded on the BÉTA Market. The single-counted total annual turnover of international shares reached HUF 6.5 billion

and consisted of 15 722 transactions. In the previous period, turnover amounted to HUF 7.1 billion and 24 764 trades were made. The average trade value increased by 42% in 2017.

### BSE AND BÉTA MARKET CASH EQUITIES TURNOVER, HUF BILLION (DOUBLE-COUNTED)

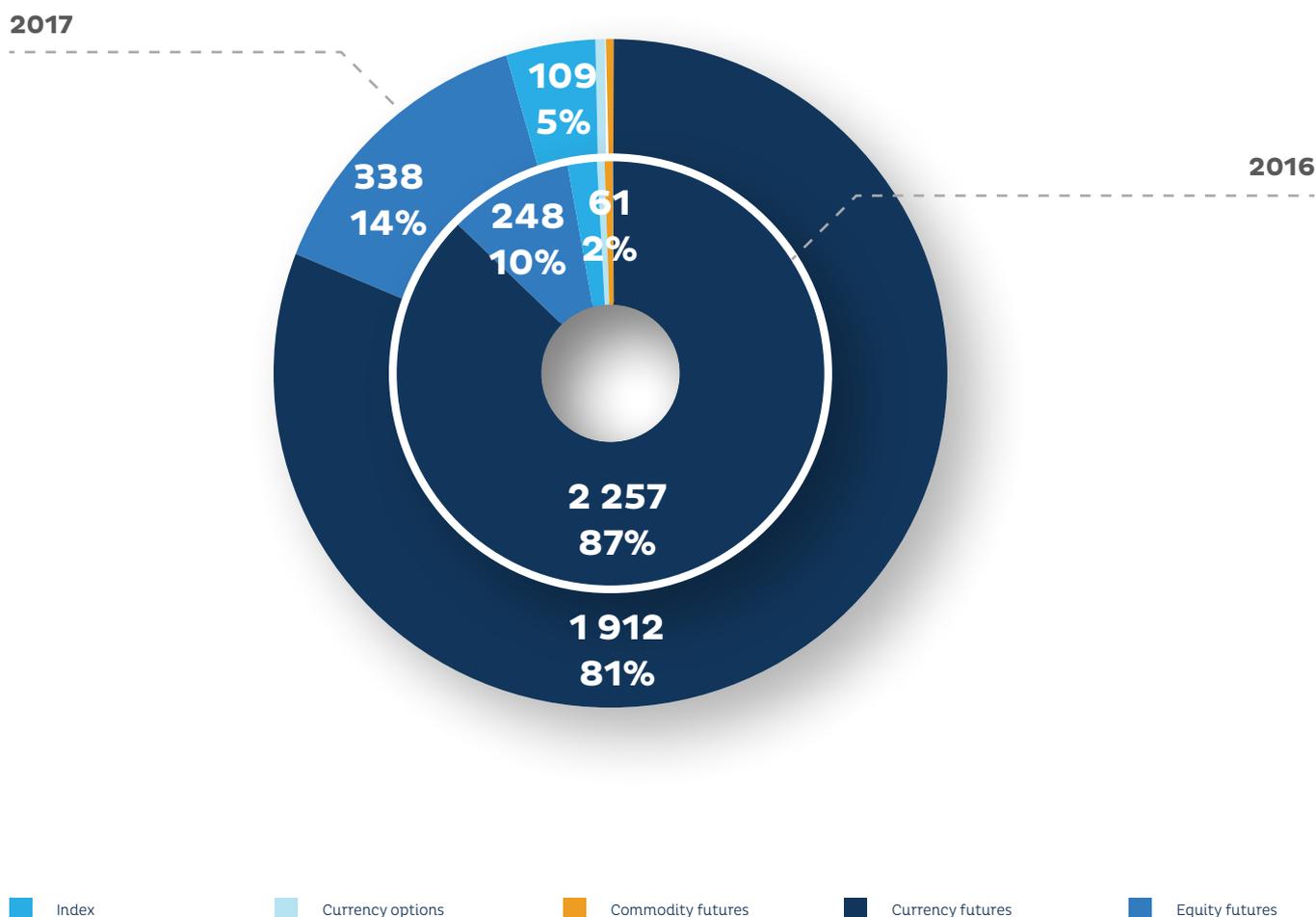


### Budapest Stock Exchange- Derivatives

The positive general mood in the BSE securities market had a favourable influence on turnover and prices, but did not lead to similar results in the derivative market. Single-counted annual derivative turnover reached HUF 2 367.9 billion in 2017, 8.5% less than in the previous year. Currency futures continued to represent the majority of turnover, in 2017 HUF 1 911.7 billion, but their share within total turnover dropped to 80.7% from 87.3% in 2016. In contrast, the turnover in

currency options nearly doubled and totalled HUF 6.2 billion in 2017. Despite declining currency futures turnover, the annual trade volume of equity futures reached HUF 337.9 billion, nearly one third higher than in 2016. Index-based futures turnover expanded by 78%, the introduction of the market making system also contributed to this result. The annual turnover of BUX futures exceeded HUF 109 billion (HUF 61 billion in 2016).

**BSE DERIVATIVE TURNOVER BY PRODUCT, 2017 AND 2016 (HUF BILLION)**



In 2017, the turnover of commodity futures transactions decreased markedly, due to the exit of classic commodity

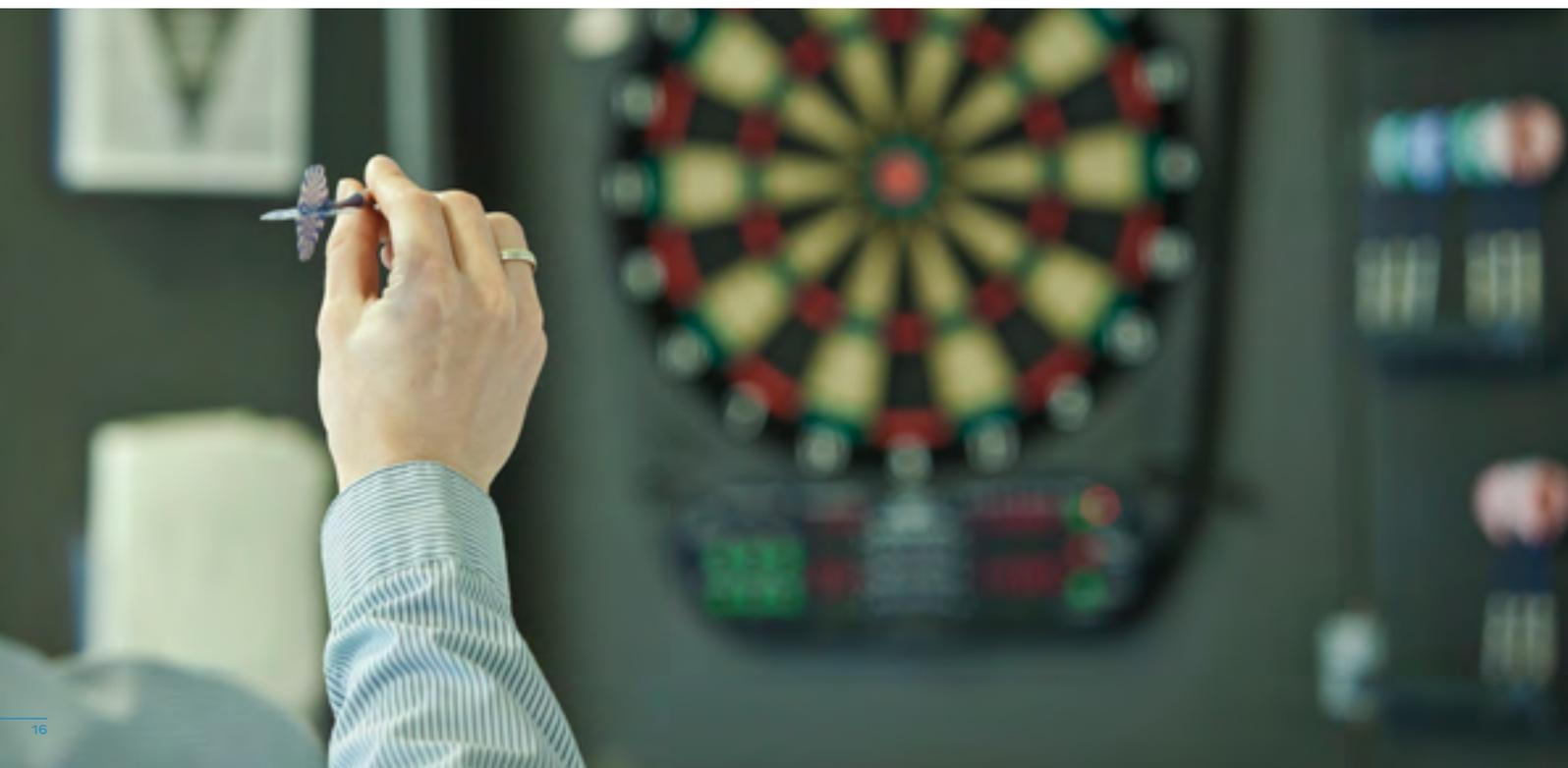
traders, but even in this environment turnover amounted to HUF 2.9 billion.

## EUROMTS - MTS Hungary

In 2017, financial institutions concluded 370 trades in the value of HUF 309.1 billion in the cash government securities market of MTS Hungary, the market of primary dealers.

Thus, annual transaction number decreased 20.6%, while annual turnover dropped 3.3% compared to 2016.

### MTS HUNGARY CASH TURNOVER AND NUMBER OF TRADES, HUF BILLION (DOUBLE-COUNTED)



### FGSZ – Trading Platform

The volume traded at the Hungarian natural gas balancing market in 2017 reached 10.8 TWh, corresponding to a value of HUF 35.1 billion. Turnover volume increased by 12.8%, while turnover at trade price dropped by 54.2% compared to 2016. The ongoing decrease in traded volume over the past years highlights the efficient operation of the market; the downward trend confirms the proper operation of market processes, as natural gas system users increasingly use market-based balancing tools, thus improving their daily balancing position.

### TRADING PLATFORM TURNOVER (DOUBLE-COUNTED)



### CEEGEX – Cash Market

The turnover in cash gas market (day-ahead and intraday) transactions exploded in 2017. The platform created the basis of dynamic growth in the previous year when continuous trading was launched in the autumn of 2016, and, at the same time, the market of intraday trades was formed. The switch to continuous trading and the change from the earlier HUF-based trading to trading and clearing

in Euro in the autumn of 2017 are additional attractive features for market participants. These developments resulted in double-counted turnover in 2017 exceeding 4 TWh, HUF 30 billion at trade price, meaning a more than fourfold increase during the year.

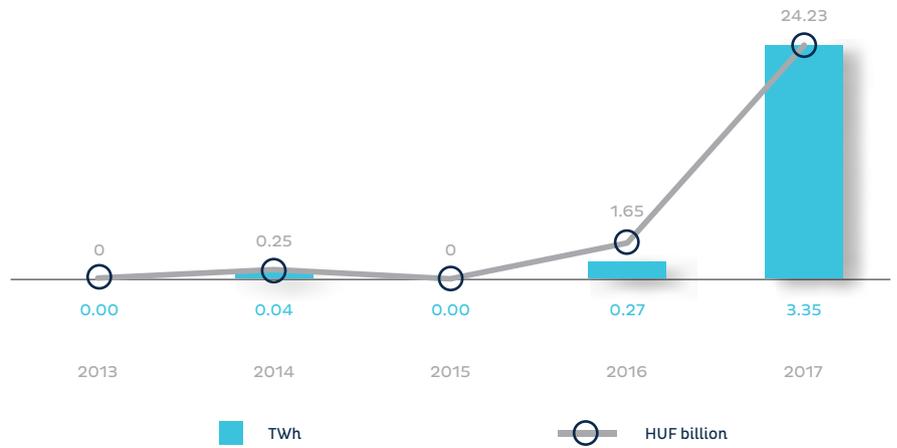
### CEEGEX CASH TURNOVER



### CEEGEX – Futures market

Similarly to the trends observed in the cash market, participants experienced the explosion of turnover in the gas futures market with physical delivery. In 2017, traded futures volume exceeded 3 TWh, corresponding to a position of more than HUF 24 billion at trade value. It means an annual turnover nearly equal to the cash gas market turnover.

### CEEGEX PHF TURNOVER



### Energy markets - Cash markets

The cash energy markets cleared by KELER CCP as part of the energy market general clearing service continued to develop dynamically in 2017. In these markets, the participants of KELER CCP trade in power, natural gas, and carbon dioxide emission allowance and capacity products, in increasing volumes. Aggregate turnover at market price amounted to HUF 491.5 billion in 2017, an annual expansion of 77%. The market share of day-ahead and intraday power products is decisive in certain market segments and reached 30.3 TWh in 2017, an annual increase of 22.6% (24.7 TWh in 2016). The

market of cash natural gas products also produced a sharp increase, with turnover tripled during the year to reach 11.4 TWh (2.8 TWh in 2016). Emission allowance trading in 2017 amounted to 9 million tons, HUF 14.3 billion at trade price.

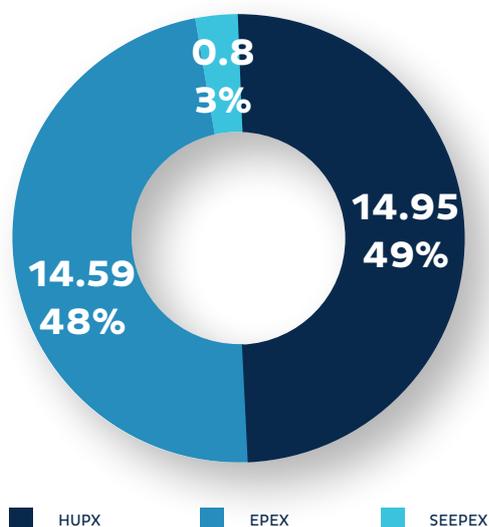
### CASH ENERGY MARKET TURNOVER



The cleared turnover of power markets exceeding 30 TWh was nearly evenly distributed between HUPX, the Hungarian power market and EPEXSPOT, the pan-European market

with annual turnover of 15 TWh (49%) and 14.6 TWh (48%), respectively, while the 0.8 TWh turnover of SEEPEX, the Serbian power market represents 3% within total turnover.

### CASH POWER MARKETS CLEARED TURNOVER BY MARKET (TWH, %)

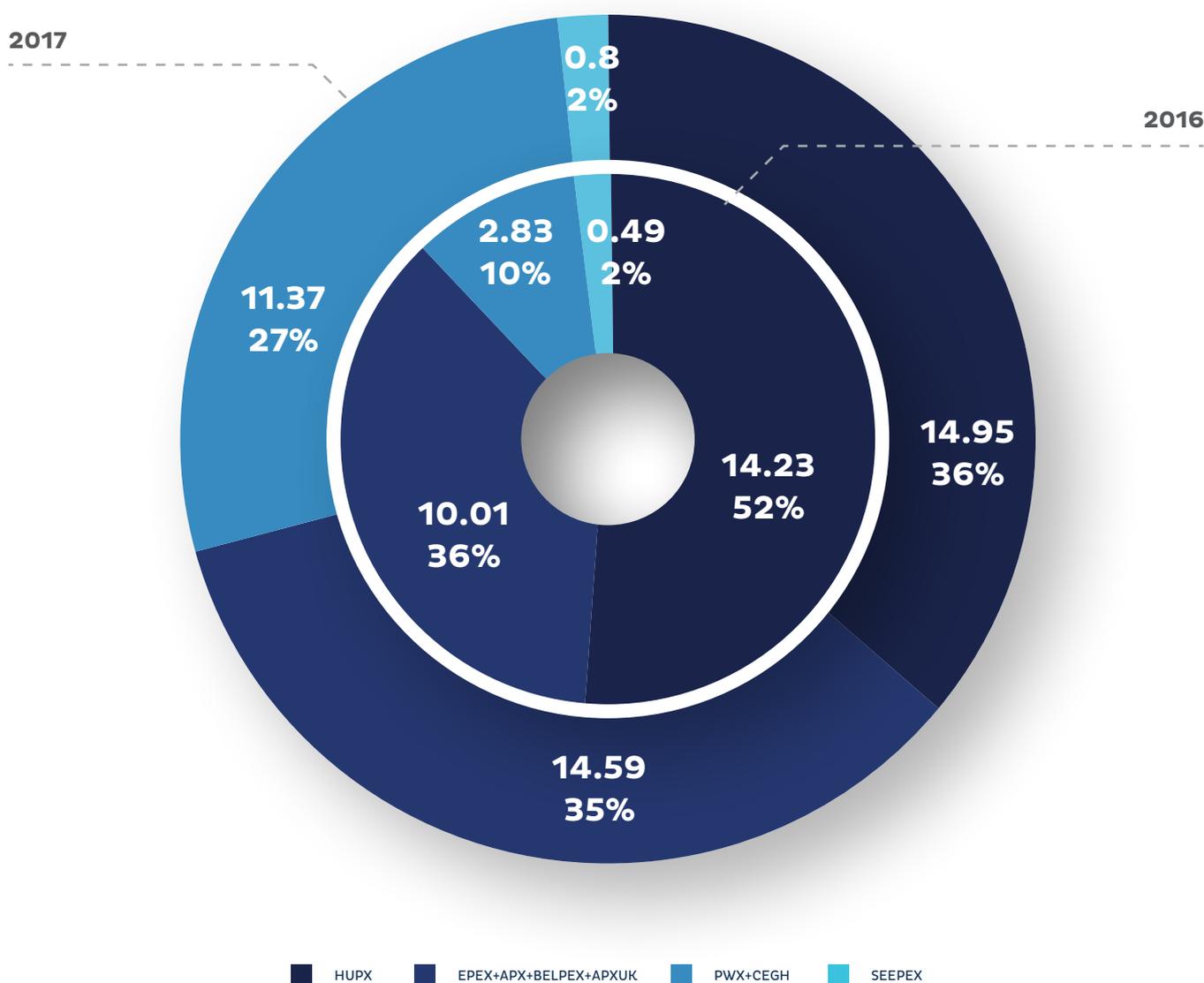


Natural gas products were traded on the Powernext market only in 2017.

The market integration started in 2016 continued in 2017 also: EPEXSPOT acquired the English, Dutch and Belgian power markets, while Powernext acquired the Austrian gas market. As a result, market concentration increased

within the products cleared by KELER CCP. Trades made on HUPX continue to represent the largest share with 36% within total cleared turnover, followed by EPEXSPOT (35%), Powernext (27%) and SEEPEX (2%).

**CASH ENERGY MARKET TURNOVER BY MARKET, 2016 VS. 2017 (TWH)**



Market share in the HUPX cash market of key importance for KELER CCP was steadily above 40% in 2017 also.

### Energy markets – Derivative markets

In 2017, outstanding trade volumes were seen in the futures energy markets. The break in historical data series is due to the one-time outstanding turnover of one market participant. In 2017, KELER CCP participants concluded

futures trades in the volume of 26.5 TWh, HUF 280.5 billion at market value, within this the share of futures power and gas products were 64% and 36%, respectively.

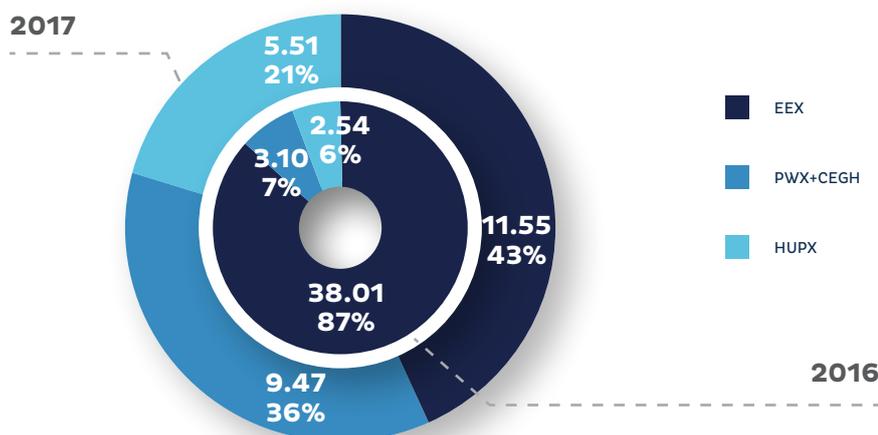
#### FUTURES ENERGY MARKET TURNOVER



The EEX futures market has a market share of 43% in the turnover cleared by KELER CCP, the futures market of Powernext has a market share of 36%, and it is a positive development that the market share of HUPX reached 21% as a result of the more than twofold increase in its turnover compared to 2016.

The market share of KELER CCP increased significantly in the HUPX futures market compared to 2016 and was close to 50% at the end of 2017, making it the largest participant.

#### FUTURES ENERGY MARKET TURNOVER BY MARKET, 2016 VS 2017 (TWH)



## CLIENT RELATIONS

### CLIENT ACQUISITIONS, CLIENT FORUMS

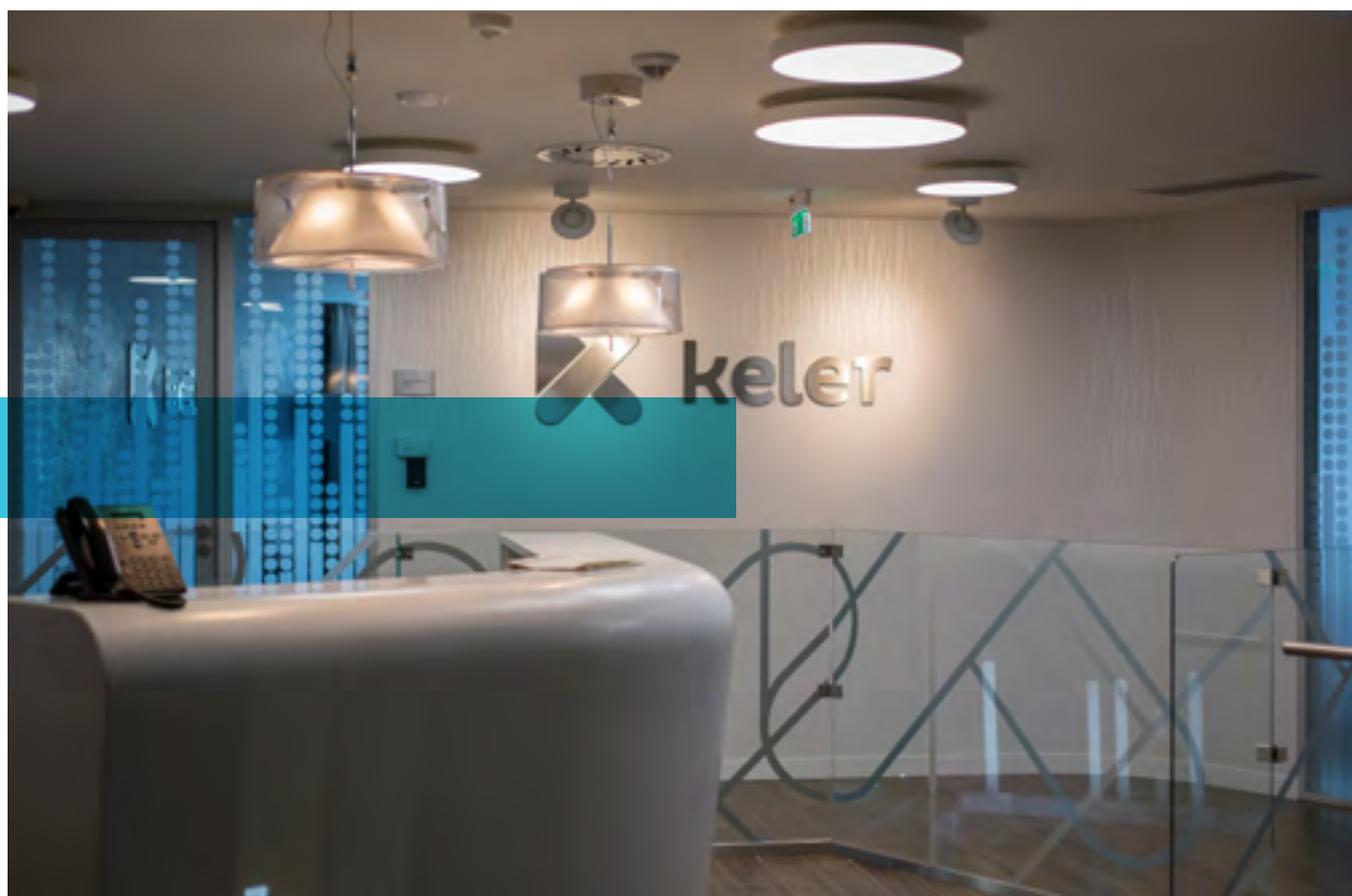
In 2017, similarly to earlier years, KELER CCP actively engaged its clients. Market and regulatory changes presented new opportunities to contact existing clients and acquire new clients. Continuous product and service developments by KELER CCP also played a role in client retention and acquisition. KELER CCP took these opportunities to organize events to inform clients or send targeted communication to potential and existing clients, and increased the number of clients.

The preferential entry offer announced by CEEGEX in 2017 significantly increased the number of active exchange members in the Hungarian gas market, as of 31 December 2017 there were 24 members. The gas exchange offered preferential terms to all new entrants joining the exchange until 31 July 2017. As a result of the offer, the number of KELER CCP clearing members increased to the same extent.

The decrease of the mandatory initial and variation margin amounts that KELER CCP requires clients to provide resulted in a major and positive change for clients. The successful start of Euro-based trading on the CEEGEX regional gas exchange as of 1 October 2017 was another favourable change for the clients of KELER CCP.

As part of the reform of power market services in Ireland and Northern Ireland, Irish system operators (EirGrid; SONI) selected European Power Exchange (EPEXSpot) and ECC as service providers in the process to create I-SEM (Integrated Single Electricity Market) in Ireland. The new Irish power exchange will be formed in the framework of this cooperation, the new exchange is planned to start operation in May 2018 with day-ahead and intraday markets. KELER CCP as general clearing member is an active player in the preparation, and attended workshops to inform local power market traders on the services provided.

In line with the agreement concluded with the Romanian commodity exchange, KELER CCP will provide classic clearing services on the gas market trading platform of the exchange. KELER CCP held client forums in February and September 2017 to assist market players in preparing for this launch scheduled to take place in 2018.





## EXHIBITIONS, INTERNATIONAL RELATIONS

KELER CCP takes the opportunity of attending energy market conferences, events to contact existing and potential clients, ensure it is known in the market and to collect client feedback for service development. These were great opportunities to contact existing and potential clients and also helped to make KELER CCP better known not only in the region, but in Western Europe also.

In February 2017, KELER CCP exhibited at the E-World Energy & Water exhibition in Essen, Germany, traditionally the greatest European event of the energy sector, attracting more than 20 000 visitors and 700 exhibiting companies. KELER CCP also exhibited at the Energy Trading Central and South Eastern Europe (ETCSEE) regional conference and exhibition held in Prague in June, and attended by more than 400 energy traders from Central and Eastern Europe. KELER CCP attended again the Energy Commodities conference held in Athens and made a presentation to introduce its services as the start of

the Greek power exchange is planned to be launched. In October 2017, KELER CCP representatives met the players of the Western European wholesale energy trading sector at EMART, an established annual event held in Amsterdam.

As a time-honoured sponsor, KELER CCP attended the 49th Gas Conference in Siófok, Hungary, a pre-eminent event of the Hungarian gas market, and the MEKSZ Power conference.

As member of EACH (European Association of Central Counterparty Clearing Houses) and AFM (Association of Futures Markets), KELER CCP participates at the regular meetings of these organizations and is involved in the work of certain sub-committees. KELER CCP participates at the regular meetings of the clearing members working group of ECC (European Commodity Clearing AG) related to the development of energy market clearing.

## INFORMATION TECHNOLOGY

The deliberate, planned operation and the high-level availability of information technology supporting business services remained the main goal of IT operation. During the year, the joint availability of KELER CCP systems to clients was 99.909%, which proves the efforts made in this field came to fruition. We sought to standardize internal processes and ensure support with automated tools. Our goal is to increase awareness, and to improve results and operation discipline with embedded controls and improved control possibilities.

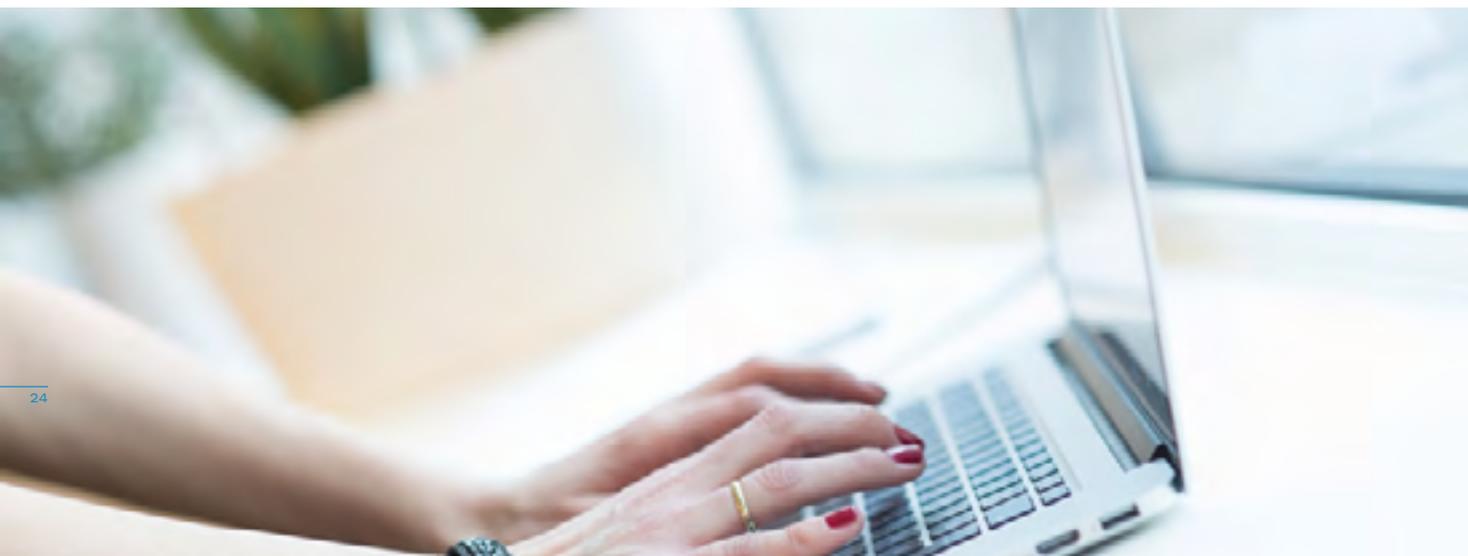
In order to ensure the secure operation of the IT infrastructure, we replaced the software components related to which support is no longer available. By the end of the second quarter of 2017, we replaced internal firewalls, improved monitoring capabilities. A display interface related to the monitoring system was finalized to assist the immediate localization of unexpected errors, thus supporting the high level operation of services. The version control of basic IT systems received particular attention; upgrade frequency was changed to monthly from the earlier quarterly frequency.

In 2017, the IT Directorate completed successfully the following tasks related to the systems of KELER CCP:

- In order to ensure the secure operation of the IT infrastructure, we replaced the software components related to which support is no longer available. In order to ensure high availability, Disaster Recovery was tested in 2017 also; thus, in this period only one data centre was in use. The system met the expectations.
- A project to purchase, introduce and integrate the KELER CCP risk management system was launched in 2016 and continued throughout 2017. The framework system (IRIS) went live in 2016, implementation consists of 7 phases, and the remaining tasks will be closed in 2018.



- The development tasks of the project to offer clearing house services in the Romanian Commodity Exchange natural gas market went live in the third quarter of 2017, go-live is scheduled for the first half of 2018.
  - At the end of 2017, Phase 2 of the project was started to create the clearing system of the BRM MTF futures natural gas market.
- The CEEGEX physical futures market migrated to the new HUDEX / Gas market – the related development went live on 30 December 2017, live operation started successfully in January 2018.
- The necessary IT developments were finalized to ensure the clearing of the new PEGAS prompt products in the EpER system.





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## HUMAN RESOURCES

In addition to making sure that KELER CCP provides high-quality services daily, the main task of Human Resources was providing support to the business strategy projects.

KELER CCP places a strong emphasis on employee retention, on ensuring that open positions are filled with professionally prepared colleagues, and offers trainings and individual courses. At the start of the year, a new Head of Risk Management joined the organization, and new colleagues were employed in this field.

Clearing Operations headcount increased due to the increased workload. Thus, instead of the earlier three there are four colleagues in both groups working in overlapping shifts.

A new assistant to the Chief Executive Officer joined in August, with transfer from KELER.

Assisting the integration of new hires, motivating and retaining existing colleagues and ensuring the proper human capital for the development of the Company are key tasks.

## INTERNAL AUDIT

KELER CCP does not have an independent internal audit function; therefore, based on the agreement concluded with KELER and case by case requests by the Supervisory Board, KELER Internal Audit performs internal audit reviews at KELER CCP.

In 2017, Internal Audit worked in line with the annual work schedule approved by the Supervisory Board and based on risk assessment and risk analysis, and the valid operating procedure of Internal Audit. When the review tasks were determined, the review of processes and activities with inherent risks and high priority and the operation of controls were considered key aspects. Internal Audit also reviewed new or updated regulatory documents.

In 2017, there were one IT-bank security and five non-IT reviews. Within the reviews completed, three subject, one follow-up and two targeted audits were performed.

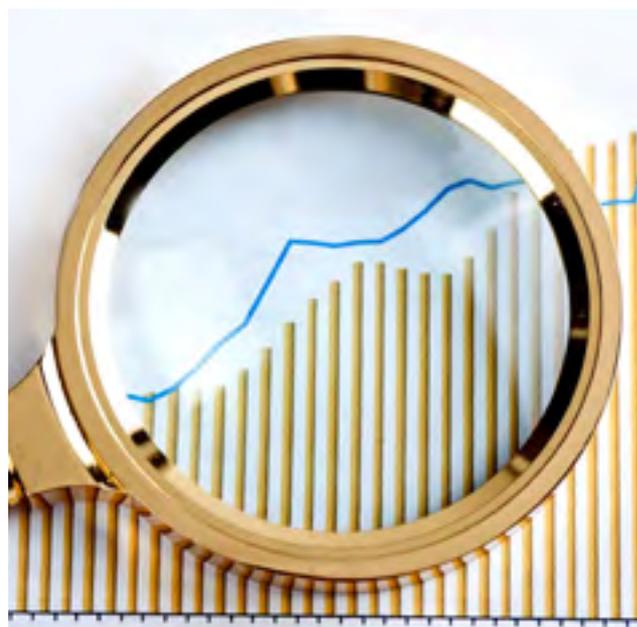
The subject audits covered the following fields:

- Remuneration policy;
- CEEGEX market clearing processes;
- CEEGEX market guarantee and risk management system.

Targeted audits focused on haircut suitability and the execution of the disaster recovery tests.

The follow-up review checked the measures resulting from the general supervisory audit completed by the Magyar Nemzeti Bank.

Reviews paid particular attention to compliance with regulatory and internal requirements, the operation of controls, compliance with security requirements, and checking the implementation of measures and recommendations that were deemed necessary to correct discrepancies detected in earlier reviews.



## SECURITY MANAGEMENT

In 2017, Security Management continued the consolidation started earlier and implemented a number of measures in order to introduce modern solutions providing improved user experience and increased security:

- In the second half of 2017, Security Management was repeatedly fully restaffed. The redesign and implementation of the work methodology are in progress, the purpose is to terminate fluctuation that could be observed in this field in the past years.
- As in each year, the BCPs and support IT system DRPs applicable in the case of interruption of value creating business processes were updated in 2017 also. In 2017, the comprehensive disaster recovery site test and application tests were performed successfully.
- Security Management tested employee security awareness and approach on various occasions, and, in the interest of maintaining the appropriate level of awareness, trainings were organized to supplement these actions due to the normal fluctuation of workforce.
- In 2017, the central log collection and analysing system (SSIM), no longer offered by the manufacturer, was fully replaced, migration to the new system is 90% complete.
- The continuous development of the web content filtering system renewed in 2016 allowed us to reach a higher level of protection against online threats.
- We continued to fine tune the mobile device management system introduced in 2016. In addition to increasing the security of use, we sought to make work on online devices more acceptable to employees.
- In order to comply with the requirements of risk proportionate protection and external requirements, IT security controls are reviewed regularly. As part of this review, IT system vulnerability was tested on three occasions during the year.
- Risk proportionate penetration tests were introduced for new developments, and the 2016 penetration test follow-ups of existing business applications with external interfaces were performed.
- KELER and KELER CCP were designated as National Key System Elements. Consequently, at the end of 2017, the National Directorate General for Disaster Management performed a review, related to which no negative feedback was provided regarding the KELER Group.
- In 2017, we prepared for the replacement of our IDM system to be performed in 2018.
- Our external border protection firewall device was replaced, and an XML validation service was introduced in our WAF server.





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## ENVIRONMENTAL PROTECTION

The goal of KELER Group's Green Office Program is to integrate environmentally conscious thinking into the corporate culture in the longer term, to reduce energy and paper use drastically at the corporate level, and to create the system of selective waste collection. The Group is committed to responsible thinking and the creation of a healthy working place is of key importance.

Measures and ongoing operation in line with the principles of environmental protection continue to receive particular attention in KELER, just like the maintenance of energy efficient operation: in the wake of the energy efficiency audit, we perform continuous monitoring to ensure energy efficient operation. For example, a modern, highly energy

efficient UPS equipment was installed at the KELER DRP site, which reduced electricity use with nearly 40%, and this saving is maintained. Accordingly, energy efficiency measures continue, related to the newer equipment with high energy consumption.

Furthermore, the continuous monitoring of the central printing system and the analysis of data ensure reduced paper use.



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## REPORT BY THE SUPERVISORY BOARD OF KELER CCP LTD.

### Report by the Supervisory Board of KELER CCP Ltd. on the financial statements in line with Act C of 2000 on Accounting

In 2017, the Supervisory Board of KELER CCP Ltd. met 5 times.

The Supervisory Board was informed continuously on the implementation of the approved work schedule of Internal Audit during the year.

As a result of the risk assessment and risk analysis methodology, the reviews of Internal Audit focus on the activities and processes with the highest inherent risks, and efforts are made to review all the activities and all the units of KELER CCP, thus performing internal audit reviews for all business and functional activities of KELER CCP.

In the interest of compliance, Internal Audit reviewed the following topics:

- Capital market clearing membership system, guarantee system and risk management system (BEJ.E. 15/2016)
- Appropriateness of haircut (BEJ.E. 17/2016)
- Remuneration Policy (CCP) (BEJ.E. 5/2017)
- Follow-up of the measures required in the MNB comprehensive review (CCP) (BEJ.E. 6/2017)
- CEEGEX market clearing and settlement (BEJ. E. 13/2017)

The Supervisory Board discussed and approved the reports made.

Internal Audit reports and related actions plans included the shortcomings identified in the reviews and the recommended tasks to eliminate such shortcomings, the responsible persons and the deadline to complete the relevant task.

Based on the Internal Audit reports, the Supervisory Board monitored continuously the implementation of the measures necessitated by the reports, and, where necessary, reviewed and approved the modification of deadlines related to the tasks stated in the reports.

The Supervisory Board approved the proposed work schedule of Internal Audit for 2018 at the end of the year.

The Supervisory Board discussed the report on the management of KELER CCP Ltd. in 2016, and the quarterly management reports of 2017.

The agenda items of the Supervisory Board meeting in April covered the review of the audit materials of the annual ordinary general meeting, the acceptance of the consolidated financial statements in line with the IFRS, the amendment of the procedures of the Supervisory Board, the election of the new statutory auditor, and the cooperation agreement between the BSE and KELER CCP.

During the year, the Supervisory Board discussed the 2016 report of Compliance, was informed on the 2017 Compliance work schedule and compliance activity in the first half of the year, and received the annual operational risk report and the minutes of the Operational Risk Committee meetings.

The Supervisory Board received quarterly reports on the activity of the KELER CCP Ltd. Board of Directors, the agenda items discussed at the Board of Directors sessions.

At the autumn meeting of the Supervisory Board, the resignation of Supervisory Board member Klára Pintér was acknowledged, and Dániel Palotai, the new Supervisory Board member was elected at the Extraordinary General Meeting on 8 November.

Based on the Internal Audit reports and other documents discussed, the Supervisory Board establishes that throughout the operation of KELER CCP Ltd. processes are regulated, management is in order, and the Board of Directors and the management of the Company make continuous efforts to maintain secure operation at a high level.

KELER CCP Ltd. provides great security to the money, capital and energy market participants that use the services provided by the Company. Furthermore, we are convinced that the infrastructure necessary to provide high-quality services is available to KELER CCP Ltd.

The Supervisory Board established also that the management of the Company exercised due care with respect to the financial sources entrusted to it.

In light of the above, the Supervisory Board is of the opinion

that KELER CCP Ltd. has all the personal and material conditions to meet the challenges of the forthcoming period.

The Supervisory Board reviewed the financial statements of the Company in line with the Hungarian accounting standards, and the report of the auditor. Based on these documents, the Supervisory Board proposes to the General Meeting to accept the annual financial statements of KELER CCP Ltd. for 2017 with total assets/total liabilities HUF 39 698 502 thousand and HUF 185 247 thousand profit for the period.

Budapest, 20 April 2018

**Rita Szalay Dr.**

**Chair of the Supervisory Board**



# INDEPENDENT AUDITOR'S REPORT

**Deloitte.**

Deloitte Auditing and Consulting Ltd.  
Dózsa György út 84/C.  
1068 Budapest, Hungary  
Postal address:  
1438 Budapest,  
Pf. 471, Hungary

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Fax: +36 (1) 428-6801  
www.deloitte.hu

Company Registration Number:  
01-09-071057

*Translation of the Hungarian original*

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of KELER CCP Ltd.

### ***Opinion***

The summary financial statements, which comprise the summary balance sheet as at December 31, 2017, the summary income statement and summary statement of cash flows for the year then ended that are presented on pages 33-42 in the annual report for 2017 of KELER CCP Ltd. ("Company"), are derived from the audited statutory financial statements of KELER CCP Ltd. for the year ended December 31, 2017.

In our opinion, the accompanying summary financial statements are consistent in all material respects with the statutory financial statements for 2017.

### ***Summary Financial Statements***

The summary financial statements do not contain all the disclosures required by Act C of 2000 on Accounting ("Accounting Act") effective in Hungary. Reading the summary financial statements and auditor's report on those, therefore, is not a substitute for reading the audited statutory financial statements of Company and auditor's report on those. The summary financial statements and the audited statutory financial statements for 2017 do not reflect the effects of events that occurred subsequent to the date of our report on the audited statutory financial statements.

### ***The Audited Statutory Financial Statements and Our Report Thereon***

We expressed an unmodified audit opinion on the audited statutory financial statements in our report dated May 11, 2018.

### ***Responsibilities of Management and Those Charged with Governance for the Summary Financial Statements***

Management is responsible for the preparation of a summary financial statements in the annual report for 2017 in accordance with relevant information included by audited statutory financial statements.

## INDEPENDENT AUDITOR'S REPORT

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

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited statutory financial statements for 2017 based on our procedures, which were conducted in accordance with National Standard on Auditing "810 Engagements to Report on Summary Financial Statements".

Budapest, June 11, 2018

*The original Hungarian version has been signed*

Nagyváradiné Szépfalvi Zsuzsanna  
on behalf of Deloitte Auditing and Consulting Ltd.  
and as a statutory registered auditor

Deloitte Auditing and Consulting Ltd.  
1068 Budapest, Dózsa György út 84/C.  
Registration number: 000083

Registration number of statutory registered auditor: 005313

# STATEMENT OF FINANCIAL POSITION

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2017

(All amounts in THUF)

	31.12.2017	31.12.2016
Cash and cash equivalents	11 403 060	9 731 566
Available for sale financial assets	2 500 013	2 499 129
Trade receivables relating to gas market	4 135 290	3 482 256
Trade receivables relating to central counterparty and other service	201 609	177 579
Other receivables	495 132	178 386
Receivables from repurchase agreements	6 668 887	-
Receivables from foreign clearing houses	13 595 493	7 925 814
Income tax receivable	8 414	19 105
Intangible assets	647 311	612 061
Property, plant and equipment	2 310	2 086
Deferred tax assets	2 784	1 653
<b>TOTAL ASSETS</b>	<b>39 660 303</b>	<b>24 629 635</b>
Trade payables	249 396	252 391
Trade payable from gas market activity	4 106 040	3 499 747
Accruals and other liabilities	141 885	79 836
Default Fund liabilities	5 827 717	5 424 666
Financial guarantee contract liability	4 973	4 010
Collateral held from energy market participants	23 360 225	9 568 325
<b>TOTAL LIABILITIES</b>	<b>33 690 236</b>	<b>18 828 975</b>
Issued capital	1 823 200	1 823 200
Share premium	2 734 800	2 734 800
Retained earnings	1 411 609	1 239 071
Available for sale financial asset revaluation reserve	458	3 446
Accumulated translation difference on foreign operation	-	143
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>5 970 067</b>	<b>5 800 660</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>39 660 303</b>	<b>24 629 635</b>

# STATEMENT OF COMPREHENSIVE INCOME

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

(All amounts in THUF)

	01.01.2017 31.12.2017	01.01.2016 31.12.2016
<b>Revenues from counterparty services</b>	<b>1 263 011</b>	<b>1 175 132</b>
<b>Other non-counterparty services</b>	<b>121 801</b>	<b>104 219</b>
Bank fees, commissions and similar items	(60 279)	(53 987)
Personnel expenses	(365 356)	(305 981)
Depreciation and amortization	(97 004)	(87 405)
Other operating expenses	(670 592)	(634 216)
Impairment (loss)/reverseal of financial instruments	-	508
Expense/(income) from changes in financial guarantee contract liabilities	(963)	4
<b>Operating expenses</b>	<b>(1 194 194)</b>	<b>(1 081 077)</b>
<b>Net operating income</b>	<b>190 618</b>	<b>198 274</b>
Interest income	56 866	53 990
Interest expense	(54 894)	(37 967)
<b>Net interest income</b>	<b>1 972</b>	<b>16 023</b>
Other financial gains/(losses)	(2 562)	(17 760)
<b>Financial income</b>	<b>(590)</b>	<b>(1 737)</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>190 028</b>	<b>196 537</b>
Income taxes	(17 490)	(21 097)
<b>NET INCOME FOR THE PERIOD</b>	<b>172 538</b>	<b>175 440</b>
<b>Other comprehensive income:</b>		
Remeasurement gains/losses of available for sale financial instruments	(3 284)	3 122
Translation difference on foreign operation	(143)	214
Income tax of other comprehensive income	296	(274)
<b>Other comprehensive income for the period</b>	<b>(3 131)</b>	<b>3 062</b>
<b>Of which later to be reclassified to net income:</b>	<b>(2 988)</b>	<b>3 062</b>
<b>Of which later not to be reclassified to net income:</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>169 407</b>	<b>178 502</b>

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

### CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

(All amounts in THUF)

	Share Capital	Share premium	Available for sale financial asset revaluation reserve	Accumulated translation difference on foreign operation	Retained Earnings	Total
<b>Balance as of 1 January 2016</b>	<b>1 823 200</b>	<b>2 734 800</b>	<b>598</b>	<b>(71)</b>	<b>1 063 631</b>	<b>5 622 158</b>
Total comprehensive income for the year	-	-	2 848	214	175 440	178 502
<b>Balance as of 31 December 2016</b>	<b>1 823 200</b>	<b>2 734 800</b>	<b>3 446</b>	<b>143</b>	<b>1 239 071</b>	<b>5 800 660</b>

	Share Capital	Share premium	Available for sale financial asset revaluation reserve	Accumulated translation difference on foreign operation	Retained Earnings	Total
<b>Balance as of 1 January 2017</b>	<b>1 823 200</b>	<b>2 734 800</b>	<b>3 446</b>	<b>143</b>	<b>1 239 071</b>	<b>5 800 660</b>
Total comprehensive income for the year	-	-	(2 988)	(143)	172 538	169 407
<b>Balance as of 31 December 2017</b>	<b>1 823 200</b>	<b>2 734 800</b>	<b>458</b>	<b>0</b>	<b>1 411 609</b>	<b>5 970 067</b>



# STATEMENT OF CASH FLOWS

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

(All amounts in THUF)

	01.01.2017 31.12.2017	01.01.2016 31.12.2016
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>PROFIT BEFORE TAXES</b>	<b>190 028</b>	<b>196 537</b>
Interest expense	54 894	37 967
	244 922	234 504
<b>Non cash items - adjustments</b>		
Interest income	(56 866)	(53 990)
Depreciation and amortization charged	97 004	87 405
Impairment losses and reversal	306	3 720
Foreign exchange rate losses/(gains)	4 419	-
Recognition and release of financial guarantee contract	963	(4)
<b>Operating cash-flow before working capital adjustments</b>	<b>290 748</b>	<b>271 635</b>
Changes in the net balance of gas market transactions, net	(46 742)	61 570
Changes in the net balance of default funds	14 194 951	3 155 605
Changes in the receivables from balance with other clearing houses	(5 669 679)	(1 848 088)
Increase in trade and other receivables	(7 013 589)	(156 693)
Increase in trade and other payables	66 702	41 887
	1 822 391	1 525 916
Interest paid	(62 542)	(42 132)
Income tax paid	(7 633)	(40 589)
<b>Net cash provided by operating activities</b>	<b>1 752 216</b>	<b>1 443 195</b>

# STATEMENT OF CASH FLOWS

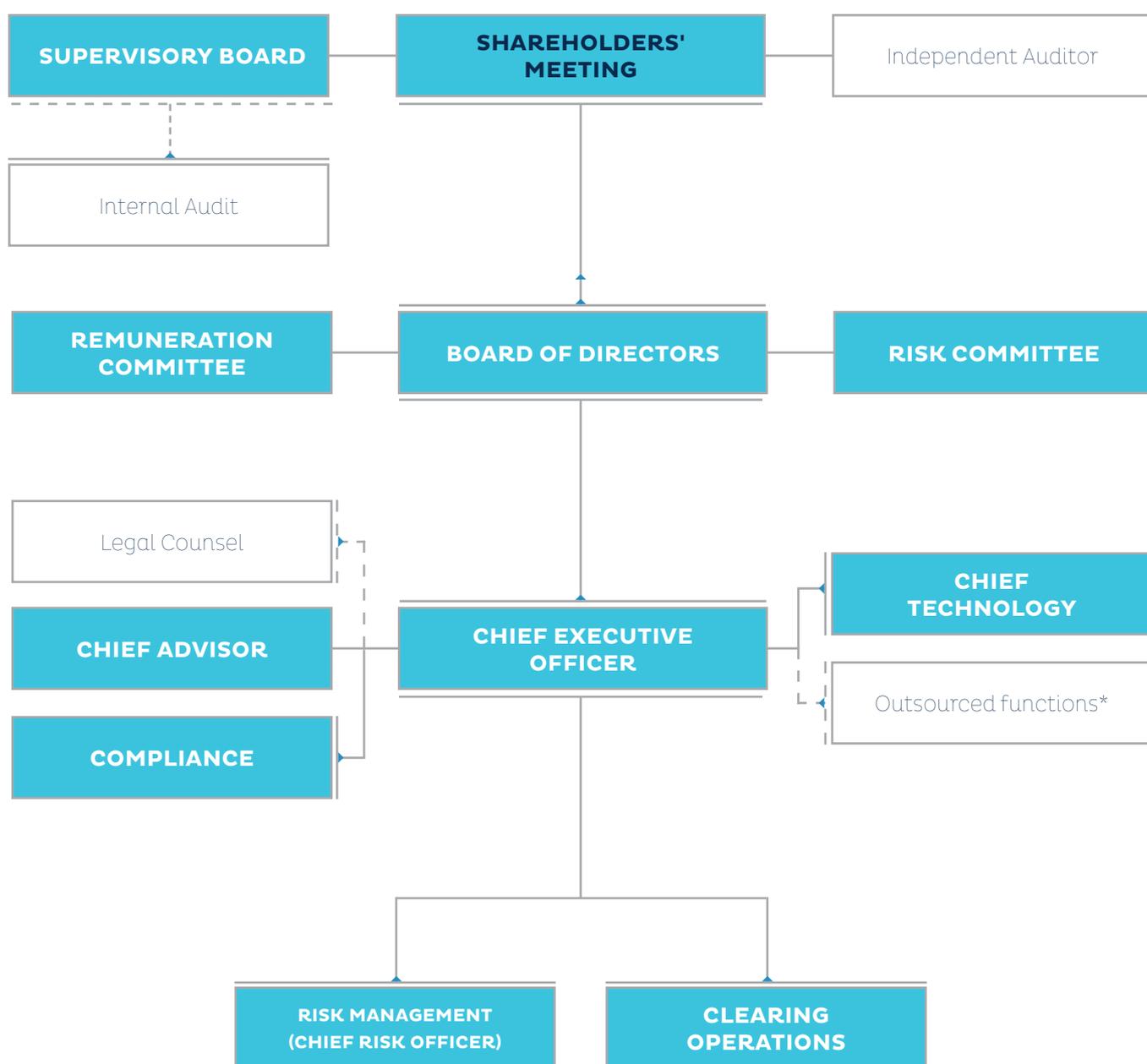
## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

(All amounts in THUF)

	01.01.2017 31.12.2017	01.01.2016 31.12.2016
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Cash proceeds/cash paid from financial instruments	(4 671)	(7 450)
Acquisition of property, plant and equipment	(1 654)	(2 128)
Acquisition of intangible asset	(131 236)	(124 895)
Proceeds from disposal of property, plant and equipment	6	-
Proceeds from interest	61 252	54 318
<b>Net cash used in investing activities</b>	<b>(76 303)</b>	<b>(80 155)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
<b>Net cash flow from financing activities</b>	<b>-</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>	<b>1 675 913</b>	<b>1 363 040</b>
Cash and cash equivalents at the beginning of the year	9 731 566	8 368 526
Foreign exchange rate difference on closing cash and equivalents	(4 419)	-
Cash and cash equivalents at the end of the year	11 403 060	9 731 566
<b>Net increase in cash and cash equivalents</b>	<b>1 675 913</b>	<b>1 363 040</b>



# ORGANIZATIONAL STRUCTURE



\*Outsourced functions: planning, controlling, process management, development of operation, coordination of IT developments, reporting, keeping contact (for third parties), collateral management (valuation, coverage checking, parameter settings) treasury, client service, PR & marketing, financial and accounting activities, HR, facility, office management, procurement, document management, IT, operation and maintenance of the security system, internal audit activity.

## MANAGEMENT

**KÁROLY MÁTRAI**  
Chief Executive Officer



**TAMÁS HORVÁTH**  
Chief Operating Officer



**ÁGNES JUHÁSZ**  
Chief Advisor



**ZOLTÁN NAGY**  
Head of Department

# GENERAL INFORMATION

Effective between 1 January 2017 and 31 December 2017

## SHAREHOLDERS

Shareholders	Financial contribution	Ownership ratio
KELER Central Securities Ltd.	HUF 1 818 100 000	99.72 %
Central Bank of Hungary	HUF 2 720 000	0.15 %*
Budapest Stock Exchange Ltd.	HUF 2 380 000	0.13 %**
<b>Total</b>	<b>HUF 1 823 200 000</b>	<b>100.00 %</b>

\* Due to the stake held in KELER Ltd. the indirect and direct holdings amount to 53.33%

\*\* Due to the stake held in KELER Ltd. the indirect and direct holdings amount to 46.67%

## BOARD OF DIRECTORS

### Chairman:

Zsolt Selmeczi-Kovács dr.

### Members of the Board of Directors:

Csaba Kornél Balogh

Márton Nagy

László Berényi

Dániel Körmöczi

Attila Mónus

Károly Mátrai

György Dudás (membership ended on 1 September 2017)

## SUPERVISORY BOARD

### Chairman:

Rita Zsarnouszkyné dr. Szalay

### Members of the Supervisory Board:

Gergely Baksay

János Gerendás

Balázs Bozsik

Dániel Palotai (membership started on 8 November 2017)

Klára Pintér (membership ended on 15 October 2017)

## CONTACT

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Fax: +36 1 342 3539

E-mail: [kelerccp@kelerkszf.hu](mailto:kelerccp@kelerkszf.hu)

Home page: [www.kelerkszf.hu](http://www.kelerkszf.hu)

### Central Client Service:

Monday to Friday from 9.00 until 15.00

Phone: +36 1 483 6240

Mobile: +36 30 481 4331

E-mail: [ugyfelszolgalat@keler.hu](mailto:ugyfelszolgalat@keler.hu)

### Service Desk

Monday to Friday from 7.00 until 20.00

Phone: +36 1 483 6228

Phone: +36 1 483 6120

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