KPMG

Auditor’s Report

Financial Statements as of 31 December 2011 and Management Report

European Commodity Clearing AG
Leipzig

KPMG AG Wirtschaftsprüfungsgesellschaft

European Commodity Clearing AG, Leipzig

Balance Sheet as of 31st December 2011

Assets		**31/12/2011 EUR**	**31/12/2010 EUR**	**Liabilities**		**31/12/2011 EUR**	**31/12/2010 EUR**
1. Cash reserves				1. Liabilities to banks			
				Due on demand	115,358,636	115,358,636	91,061,976
a) Cash at central banks including cash at Deutsche Bundesbank EUR 2,318,171 (2010: EUR 184,453,609)	2,318,171	2,318,171	184,453,609	2. Liabilities to customers			
2. Accounts receivable from bank				a) Other liabilities			
a) Receivable on demand	344,907,011		198,438,600	aa) Payable demand	212,795,932	212,795,932	279,604,414
b) Other accounts receivable	137,728	345,044,739	183,349	3. Other liabilities	1,246,584	1,246,584	1,332,677
3. Accounts receivable from customer	1,382,846	1,382,846	1,014,333	4. Deferred tax liabilities	-	-	229,007
4. Shares in affiliated companies	18,500	18,500	18,500	5. Reserves			
5. Intangible assets				a) Reserves for pensions and similar commitments	114,843		136,057
a) Licenses procured for consideration, commercial property rights and similar rights and values as well as licenses regarding such rights and values	1,356,520		967,448	b) Tax provisions	-		1,003,028
b) Goodwill or corporate value	-	1,356,520	1,183,195	c) Other provisions	949,191	1,064,034	1,313,748
6. Property, plant and equipment	25,345	25,345	67,185	6. Equity			
7. Other assets	8,458,672	8,458,672	11,552,620	a) Subscribed capital	1,015,227		1,000,000
8. Accruals and deferrals	285,777	285,777	5,862	b) Capital reserve	14,300,495		12,000,000
9. Excess of plan assets over pension liability		39,829	-	c) Retained income			
				Other retained earnings	6,924,611		3,641,151
				d) Balance sheet profit	6,224,880	28,465,213	6,562,643
Total assets		**358,930,399**	**397,884,701**	**Total liabilities**		**358,930,399**	**397,884,701**

1. Contingent liabilities Liabilities from guarantees and guarantee agreements	52,669,827	52,669,827	23,465,942

Income Statement
for the period from 1st January 2011 to 31st December 2011

			2011 EUR		2010 EUR
1.	Interest income from				
	a) Credit and money market transactions		2,548,848		562,756
2.	Interest expenses		2,010,832	538,016	303,004
3.	Income from commission fees		22,870,369		22,196,568
4.	Expenses for commission fees		1,795,149	21,075,220	1,843,731
5.	Other operating income			477,561	983,075
6.	General administrative expenses				
	a) Human resources expenses				
	aa) Wages and salaries	1,762,383			1,359,567
	bb) Social insurance contributions and expenses for old-age pension and for support including: for old-age pension EUR 161,789 (2010: EUR 145,123)	387,217	2,419,600		326,066
	b) Other administrative expenses		8,021,005	10,170,605	7,923,279
7.	Depreciations and value adjustments of intangible assets and property, plant and equipment			1,830,372	1,594,392
8.	Other operating expenses			700,801	625,635
9.	**Result of ordinary operations**			**9,389,019**	**9,766,725**
10.	Extraordinary expenses			0	37,591
11.	Extraordinary income			0	- 37,591
12.	Taxes on income and profit			3,164,139	3,166,491
13.	**Annual profit**			**6,224,880**	**6,562,643**
14.	Profits carried forward from previous year			0	-
15.	Addition to retained income				
	a) To other retained income			0	-
16.	**Balance sheet profit**			**6,224,880**	**6,562,643**

European Commodity Clearing AG, Leipzig
N O T E S 2011

The annual financial statement of European Commodity Clearing AG (referred to as "ECC AG" herein after) for the financial year 2011 was prepared in accordance with the provisions of the German Commercial Code and of the German Companies Act as well as the Ordinance Regulating the Accounting Requirements for Financial Institutions and Financial Service Providers (RechKredV). The profit and loss account according to RechKredV has a graded structure (form 3). The development of the individual items of the fixed assets is shown separately in accordance with Art. 268 Paragraph 2 HGB [German Commercial Code].

ECC AG is included in the consolidated financial statement of European Energy Exchange AG (EEX AG), Leipzig, which is published in the electronic Bundesanzeiger [German Electronic Gazette].

ECC AG is the sole shareholder of European Commodity Clearing Luxembourg S.à.r.I. (ECC Lux). ECC Lux is included in the commodity delivery chain (power and gas as well as in the transfer of emission allowances). The exemption from the requirement to prepare a partial consolidated financial statement is in accordance with Art. 291 Paragraph 1 Figure 3 HGB.

1. Accounting and valuation principles

General

Accounting and valuations are effected in accordance with the general accounting and invoicing provisions for capital companies according to HGB in compliance with the supplementary provisions of AktG and the Ordinance Regulating the Accounting Requirements for Financial Institutions and Financial Service Providers (RechKredV). The provisions regarding large capital companies contained in Art. 340a Paragraph 1 HGB are used. The going concern principle is applied; assets and liabilities are assessed individually. A cautious assessment was effected, i.e. all foreseeable risks and losses which were incurred up until the balance sheet date were taken into account.

Cash in foreign currencies was given a value in Euros with an effect on income on the basis of the exchange rate on the balance sheet date.

Since 1st January 2011, adjustments to the trading systems provided by a service provider are shown as prepaid expenses throughout the term of the system agreements.

Intangible assets and property, plant and equipment
Intangible assets and property, plant and equipment were assessed at cost of acquisition less scheduled depreciations. Fixed assets were depreciated in accordance with the usual period of use for the company and under consideration of the period of use which is permissible from a tax perspective. The straight-line method of depreciation was used for additions.

Low-value assets (with costs of acquisition of up to EUR 410 (net)) acquired during the financial year were recorded as expenditure at the full amount in the year of acquisition.

Accounts receivable and other assets
The accounts receivable and other assets were assessed at the nominal value less required specific value adjustments.

The trade accounts payable and receivable with regard to ECC Lux existing on the balance sheet date are shown on a netted-out basis since the preconditions for an offsetting condition are fulfilled. The actual offsetting situation towards ECC Lux corresponds to the ECC AG Clearing Conditions at the time of the repayment and fulfilment of the corresponding transactions to the respective trading participants. Netted-out reporting serves to improve the clarity and comprehensibility of the annual financial statement.

Cash at central banks
Cash at central banks was assessed at the nominal value.

Shares in affiliated companies
Affiliated companies were assessed at their acquisition costs.

Liabilities
Liabilities were shown at the amount to be paid. There are no liabilities with a remaining term of more than one year.

Reserves
Reserves are defined for all risks discernible up until the preparation of the annual financial statement, doubtful liabilities and contingent losses.

Liability relationships
As of the balance sheet date, there was a letter of comfort and a guarantee. More detailed information on this is provided under contingent liabilities.

2. Notes and Explanations regarding the Balance Sheet

Accounts receivable from credit institutions

The accounts receivable from credit institutions concern accounts receivable with a remaining term of less than three months.

The stock of cash in foreign currencies of GBP 1,754 was assessed at the exchange rate on the balance sheet date (EUR 1 = GBP 0.84405). The balance amounts to EUR 2,038.

Accounts receivable from customers

The accounts receivable from customers concern accounts receivable with a remaining term of less than three months.

Shares in affiliated companies

On 31st December 2011, the shareholdings were as follows:

Name	Registered office	Subscribed capital in EUR	Share in %	Equity in kEUR	Annual profit in kEUR
European Commodity Clearing Luxembourg S.à.r.l.	Luxembourg (Luxembourg)	12,500	100.00	73	20

Intangible assets

Intangible assets are reported in the balance sheet at kEUR 1,357 (2010: kEUR 2,151) as of 31st December 2011. The goodwill was written of entirely as of the balance sheet date.

The goodwill was created in EEX AG in the financial year 2002 and was written off as planned over a period of 10 years on account of the long-term customer commitment and market development. A share of kEUR 7,099 was spun off as of 1st January 2006 and depreciated on a straight-line basis over the remaining period of six years.

Property, plant and equipment

Property, plant and equipment were reported in the balance sheet at kEUR 25 (2010: kEUR 67) as of 31st December 2011.

Other assets
As of the balance sheet date, the other assets amounted to kEUR 8,459 (2010: kEUR 11,553). This amount essentially consists of accounts receivable from affiliated companies for clearing services (kEUR 1,001) and accounts receivable from the tax office in Luxembourg from input tax (kEUR 6,940).

Effective against shareholders there were other assets of kEUR 120 (2010: kEUR 84) as of 31st December 2011.

Moreover, “other assets” also comprises accounts receivable from the tax office with regard to corporation tax amounting to kEUR 110 and from the city [translator’s note: of Leipzig] with regard to trade tax amounting to kEUR 134.

Value differences as of the balance sheet date result in the formation of an item “Transfers between cash accounts” amounting to kEUR 105 between ECC AG and ECC Lux.

Accruals
Expenses before the balance sheet date which constitute expenses for a certain period after this date are reported as “deferred expenses and accrued income”. As of 31st December 2011, there were deferred expenses and accrued income of kEUR 286.

Excess of plan assets over pension liabilities
The excess of plan assets over pension liabilities of kEUR 40 results from offsetting of pension provisions with corresponding covering assets.

Liabilities to banks
The existing liabilities to banks are due on a daily basis.

Liabilities to customers
The liabilities to customers concern liabilities with a remaining term of less than three months.

Other liabilities
There are other liabilities of kEUR 1,247 (2010: kEUR 1,333).

Essential items comprise trade accounts payable of kEUR 820 (2010: kEUR 1,138) for incoming invoices not settled yet and liabilities to shareholders of kEUR 368 (2010: kEUR 33) for intercompany services and liabilities from the provision of services and chargeout of costs.

There are other liabilities to affiliated companies of kEUR 28 (2010: kEUR 136). All other liabilities have a remaining term of less than three months.

Deferred taxes
On 31st December 2011, there were no differences between assessment under commercial law and under tax law. There were no deferred taxes.

Reserves
The remaining terms of the other reserves are up to 10 years. The interest rates applied are indicated in the explanations below.

The reserves have the following amounts:

	31/12/2011 kEUR	**31/12/2010** kEUR
Pension provisions	115	136
Tax provisions	0	1,003
Corporation tax/solidarity surcharge	0	279
Trade tax	0	724
Other provisions	949	1,314
Management bonus	661	487
Costs of annual financial statement and auditing	125	37
Outstanding invoices	110	364
Holiday entitlements and other human resources obligations	37	33
Other provisions	16	16
Provisions under contracts	0	377

With regard to pensions and similar obligations there are two different contractual relationships at ECC AG. These include pension obligations, on the one hand, and an old-age part-time working scheme, on the other hand.

The 2005 G guideline tables by Klaus Heubeck were used as the legal basis for the calculation with regard to provisions. A discounting factor of 5.14 percent and a salary trend of 3.5 percent were used for the calculation. The calculation regarding the old-age part-time working scheme was effected in accordance with the comment by IDW (Institute of German Auditors) on reporting of obligations under old-age part-time working schemes in balance sheets (IDW RS HFA 3). For the purpose of the calculation of pensions, the basis for the assessment of the contribution according to Art. 10 Paragraph 3 Figure 1 in conjunction with Art. 11 Paragraph 2 of the Law for the Improvement of Corporate Pension Schemes (entry-age value of the pension obligation according to Art. 6a Paragraph 3 EStG [German Income Tax Law]) was used.

Process Values in kEUR	As of 01/01/2011	Cover assets 01/01/2011	Formation	Cover assets 31/12/2011	As of 31/12/2011
Pension provision	76	0	3	119	-40
Old-age part time	102	42	55	43	115

Interest rates of 4.49 percent (6-year period of retention of documents) and of 4.86 percent (10-year period of retention of documents) were used for the calculation of the reserve regarding the obligation to retain business documents.

Equity

The equity of ECC AG amounts to EUR 1,015,227. It is divided into 1,015,227 bearer share certificates. The shares can only be transferred with the shareholders' approval.

Effective 1st March 2011 the equity was increased from EUR 1,000,000 to EUR 1,015,227 with the approval of the general meeting on the same day.

On 31st December 2011, the capital reserve amounted to kEUR 14,300. An amount of kEUR 2,300 was added to the capital reserve compared to kEUR 12,000 in the previous year (2010).

Retained income

The other retained income amounted to kEUR 6,925 (2010: kEUR 3,641). Following the resolution adopted by the annual general meeting in 2010, the 2010 balance sheet profit of kEUR 3,279 was paid out and a share of kEUR 3,283 was added to retained income.

The company's annual profit amounts to kEUR 6,225 (2010: kEUR 6,563).

Total amount of the assets and liabilities denominated in foreign currencies

Balance sheet item	**Foreign currency amount**	**in EUR**
Accounts receivable from banks	GBP 1,754	2,038
Total		**2,038**

3. Notes and Explanations regarding the Profit and Loss Account

The commission fee income and the other operating income was generated exclusively in Germany, while interest expenses were also exclusively incurred in Germany, so that a breakdown according to geographical markets is dispensed with in accordance with Art. 34 Paragraph 2 Figure 1 of the Ordinance Regulating the Accounting Requirements for Financial Institutions and Financial Service Providers (RechKredV).

In 2011, interest income of kEUR 2,549 was generated. In 2010, interest income of kEUR 185 was generated in Germany, while interest income of kEUR 378 was generated in the rest of the EU.

Income from commission fees

The commission fees of kEUR 22,870 (2010: kEUR 22,197) concerned fees for clearing services by ECC AG. According to material criteria, the commission fees have the following structure:

	2011 kEUR	**2010 kEUR**
Spot Market clearing fees	7,328	6,346
Derivatives Market clearing fees	15,219	15,682
Annual fees	187	171
Other income from clearing	136	-2
Total income from commission fees	**22,870**	**22,197**

Other operating income

The other operating income of kEUR 478 (2010: KEUR 983) essentially results from the provisions of services for affiliated companies and shareholders (kEUR 222) and from the release of provisions (kEUR 219).

The other operating income comprises income of kEUR 6 from exchange rate differences.

General administrative expenses
The general administrative expenses of kEUR 10,171 (2010: kEUR 9,609) include the following items:

	2011 kEUR	2010 kEUR
Personnel costs	**2,150**	**1,686**
Wages and salaries	1,763	1,360
Social insurance contributions	387	326
Other administrative expenses	**8,021**	**7,923**
Systems expenditure	1,876	1,845
Consultation services	982	1,045
Overheads & marketing	984	748
Expenses for business management services	4,179	4,285
Total general administrative expenses	**10,171**	**9,609**

Other operating expenses
The other operating expenses of kEUR 701 (2010: kEUR 626) essentially comprise expenses from an input tax adjustment (kEUR 674), which was based on sales which are exempt from value added tax.

The other operating expenses are expenses from exchange rate differences of kEUR 1, expenses for discounting of provisions of kEUR 12, and interest expenses from corporate taxes of kEUR 14 which result from additional tax claims for previous years.

Taxes on income and profit
In total, trade tax and corporation tax of kEUR 3,294 (2010: kEUR 3,647) have to be paid on the profits for the financial year 2011.

Deferred tax income of kEUR 229 from the release of deferred tax liabilities was taken into account.

4. Other Notes

Other financial obligations

The other contractual obligations are listed in the table below:

Contractual obligations	2012 kEUR	2013 kEUR	2014 kEUR	2015 kEUR	2016 kEUR
Provision of business management services (to shareholders)	4,215	-	-	-	-
Sublease Augustusplatz 9, Leipzig (to shareholder)	111	111	111	28	-
Contract Deutsche Börse AG (basic amount)	1,071	1,071	1,071	1,071	-
Software maintenance/IT infrastructure	531	59	-	-	-
Vehicle leasing	20	16	8	-	-
Total	**5,947**	**1,257**	**1,190**	**1,099**	**-**

Contingent liabilities

Without any changes as against the previous year, a letter of comfort regarding the liabilities of ECC Lux of up to a maximum amount of kEUR 986 existed between ECC AG and transpower stromübertragungs gmbH.

ECC AG guarantees ECC AG's trade accounts payable at an amount of kEUR 52,670 (2010: kEUR 22,480) as of the balance sheet date.

The contingent liabilities exist in order to safeguard the continuity of the business, i.e. in particular the execution of the power and gas deliveries. On account of the protection of the trades concluded with the help of the margins furnished, this does not result in any risk for ECC AG.

Amounts excluded from distribution

There are no amounts excluded from distribution according to Article 268 Paragraph 8 HGB.

Human resources development

On the balance sheet date, 24 people (2010: 18 employees) were employed at the company. One of these employees was a member of the executive staff. In the financial year under review, on average 21 employees (2010: 18 employees) were employed by the company.

Management Board

Dr. Hans-Bernd Menzel, Leipzig (until 28 February 2011)	Chairman (CEO)
Peter Reitz, Frankfurt am Main (from 1 August 2011)	Chairman (CEO)
Dr. Christoph Mura, Norderstedt	Member (COO)
Dr. Thomas Siegl, Eschborn	Member (CRO)

Dr. Hans-Bernd Menzel resigned from the Management Board of ECC AG with effect from 1st March 2012.

In accordance with Article 286 Paragraph 4 HGB, reporting of the amounts of management board compensation is dispensed with.

Transactions with related parties in accordance with Art. 285 Fig. 21 HGB
During the financial year under review, no transactions with related parties which were concluded subject to conditions that are not common on the market were concluded.

Fee for the auditor of the annual accounts according to Art. 285 Fig. 17 HGB
The fee for the auditor of the annual accounts was specified in the EEX consolidated financial statement. The EEX consolidated annual financial statement is published in the German Electronic Gazette.

Supervisory Board
The Supervisory Board has the following members:

Dr. Jürgen Kroneberg (Chairman)	Lawyer, Cologne
Prof. Harald R. Pfab	Chairman of the Management Board of Sachsen Bank, Leipzig
Jürg Spillmann (Deputy Chairman, new member)	Deputy Chairman of the Management Board of Eurex Zurich AG, Zurich
Roland Werner (Deputy Chairman, new member)	State Secretary, Saxon State Ministry for Economic Affairs, Labour and Transport, Dresden
Dr. Ulf Böge	Former President of the Federal Cartel Office, Meckenheim

Pierre Bornard	Vice-Chairman of the Executive Board of RTE – Réseau de Transport d'Electricité, Paris
Josef Rahmen	Chairman of the Management Board of LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH, Leipzig
Pieter Schuurs	Member of the Management Board of APX-ENDEX Derivatives B.V., Amsterdam
Vincent van Lith	Deutsche Bank AG, Frankfurt/Main

Peter Reitz resigned from the Supervisory Board with effect from 31st July 2011.

During the current financial year, the members of the Supervisory Board received emoluments of kEUR 147 (2010: kEUR 114).

Leipzig, 2nd February 2012

[handwritten signature] Peter Reitz Chairman of the Management Board (CEO)	*[handwritten signature]* Dr. Christoph Mura Management Board (COO)	*[handwritten signature]* Dr. Thomas Siegl Management Board (COO)

European Commodity Clearing AG, Leipzig

Development of assets in the financial year 2011

	Costs of acquisition and production				Depreciations				Net book values	
	31/12/2010	Additions	Disposals	31/12/2011	31/12/2010	Additions	Disposals	31/12/2011	31/12/2010	31/12/2011
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
1. Intangible assets	**8,843,703.24**	**986,864.92**	**5,164.50**	**9,825,403.66**	**6,693,060.24**	**1,780,987.92**	**5,164.50**	**8,468,883.66**	**2,150,643.00**	**1,356,520.00**
1350 IT Software	1,744,520.84	986,864.92	5,164.50	2,726,221.26	777,072.84	597,792.92	5,164.50	1,369,701.26	967,448.00	1,356,520.00
1500 Goodwill	7,099,182.40	0.00	0.00	7,099,182.40	5,915,987.40	1,183,195.00	0.00	7,099,182.40	1,183,195.00	0.00
2. Fixed assets	**223,256.20**	**7,543.60**	**28,940.00**	**201,859.80**	**156,071.20**	**49,383.60**	**28,940.00**	**176,514.80**	**67,185.00**	**25,345.00**
5000 Equipment and furnishings	195,312.34	2,982.00	28,400.00	169,894.34	138,467.34	42,883.00	28,400.00	152,950.34	56,845.00	16,944.00
6500 Office equipment	15,801.51	1,953.95	540.00	17,215.46	10,382.51	2,119.95	540.00	11,962.46	5,419.00	5,253.00
6700 Low-value assets	2,616.48	2,607.65	0.00	5,224.13	2,616.48	2,607.65	0.00	5,224.13	0.00	0.00
6700 Low-value assets – Compound item	9,525.87	0.00	0.00	9,525.87	4,604.87	1,773.00	0.00	6,377.87	4,921.00	3,148.00
3. shares in affiliated companies	**18,500.00**	**0.00**	**0.00**	**18,500.00**	**0.00**	**0.00**	**0.00**	**0.00**	**18,500.00**	**18,500.00**
8000 Shares	18,500.00	0.00	0.00	18,500.00	0.00	0.00	0.00	0.00	18,500.00	18,500.00
	9,085,459.44	**994,408.52**	**34,104.50**	**10,045,763.46**	**6,849,131.44**	**1,830,371.52**	**34,104.50**	**8,645,398.46**	**2,236,328.00**	**1,400,365.00**

Management Report of European Commodity Clearing AG, Leipzig, for the Financial Year 2011

1. About the Company

European Commodity Clearing AG (ECC) was established through a spin-off of the services of European Energy Exchange AG (EEX) in the field of clearing and settlement in the year 2006.

The organisation of clearing and settlement as an independent company regulated by the financial services authorities enabled ECC to respond flexibly to the requirements of the market and, at the same time, to provide the security of a regulated environment.

ECC is a credit institution and has a banking license as a central counterparty within the meaning of Art. 1 Paragraph 1 Figure 12 KWG (German Banking Act). In this function, ECC settles the trades concluded between the trading participants on the affiliated markets or registered for clearing and guarantees their fulfilment even if a counterparty defaults.

The company's objective is to increase the efficiency of clearing and settlement through the integration of different market platforms, products and commodities into a uniform system for the settlement of trades. In addition to the original core function of ECC, i.e. clearing and settlement of the trades of EEX, co-operations with other exchanges have been entered into since 2006. This aims at offering the integrated ECC clearing and settlement services, in particular, on those market platforms which are also used by the EEX trading participants. On account of the business model of EEX, the focus of the current development of ECC is on co-operations with European energy exchanges. Currently, ECC co-operates with APX-ENDEX, EPEX SPOT SE, HUPX Hungarian Power Exchange Ltd., Powernext S.A. and the Central European Gas Hub (CEGH) in spot and derivatives trading in power and gas. A sub-central counterparty relationship has been established with Eurex Clearing AG for the settlement of the trades concluded by Eurex participants in EEX cooperation products.

EEX AG holds 98.4999 percent of the shares in ECC. In the financial year 2011, Powernext S.A. increased its share in ECC to 1.5 percent in the course of a capital increase. In addition, APX-ENDEX also holds one share.

The company is represented to the outside world by the Management Board, which is in charge of business management. The Management Board consists of the Chief Executive Officer (CEO), Chief Operating Officer (COO) and the Chief Risk Officer (CRO). The Management Board is supervised by the Supervisory Board, which consists of nine members.

2. Economic Environment

Positive economic development in spite of uncertainty on account of the debt crisis

In 2011, the German economy generated economic growth of 3 percent and, as a result, continued the growth path embarked upon in the previous year (+3.7 percent). In this context, the strongly positive basic trend in the economy, a dynamic export economy and increasing investments constituted the main driving forces.

However, the national financial crises in some countries of the Euro zone have put a strain on the German economy. The economic indicators suggest that only slight economic growth can be expected in 2012.

Continued concern regarding the stability of financial markets in Europe

As in the past, the development on the financial markets and the level of debt of individual EU countries has to be evaluated as being critical. The permanent European Stability Mechanism (ESM) initiated in connection with the state debt crisis in Greece is intended to safeguard financial stability in Europe. The public debt crisis in the Euro zone could lead to a situation in which even the credit rating of strong countries like Germany might suffer and which might lead to a slowdown of the economy.

Fluctuations in prices on the energy and commodity markets

The year 2011 was shaped by the political developments in the Arab World, the nuclear catastrophe in Fukushima in Japan, the decision regarding the withdrawal from the nuclear power programme and by the European public debt crisis.

After the events at Fukushima, oil and power prices reached their maximum levels and fell towards the end of the year with fluctuations of up to 40 percent (Brent oil price) and of 19 percent (Phelix Base Power year future) in the course of the year. At approx. USD 108 per barrel at the end of the year, the oil price was significantly above the level at the beginning of the year, while the power price almost reached its initial level of approx. EUR 52 per MWh again. The monthly EGIX gas price index fluctuated by approx. 29 percent in the course of the year and, at EUR 22 per MWh at the end of the year, it was slightly below its initial level of EUR 24 per MWh.

Furthermore, there was an oversupply of certificates on the market for emission allowances in the second half of the year. This was caused by sales by European member states at the end of the second trading period and by the trading participants' low demand on account of the slowdown of the economy. The prices for emission allowances (in secondary trading on the derivatives market) rose from approx. EUR 14 per tCO_2 up to the middle of the year and fell to a historic low of EUR 7 per tCO_2 by the end of the year.

Constant power consumption in Germany

In spite of the good development of the economy and the expansion of production associated with it, the consumption of primary energy declined by 4.8 percent to approx. 3,725 TWh in Germany in 2011. Strong declines in consumption were recorded, in particular, with regard to heating energy on account of the mild weather conditions.

However, at 607 TWh, physical gross power consumption in Germany remained almost unchanged in 2011 (2010: 604 TWh) in accordance with the preliminary calculations of the Energy Balances Working Group (AGEB). The level of trading volumes on the exchange power market is shaped, in particular, by this physical consumption.

Increasing regulatory requirements for ECC and the trading participants

The statutory requirements which are relevant for the business of ECC will continue to become more stringent. For example, the following laws and ordinances governing the energy and/or financial market(s) are currently in the process of legislative procedures: CPSS-IOSCO Standards (standards for clearing and settlement systems), EMIR (OTC derivatives regulation) and MiFID/MiFIR (financial instruments directive).

As a result, higher requirements are created, e.g. with regard to risk management, equity requirements and corporate governance - not only for ECC. Moreover, the parties trading on the energy market will also be subject to stricter requirements in the future. This potentially concerns collateralisation, reporting requirements, trading transparency and a possible settlement requirement for OTC derivatives through central counterparties, such as ECC.

3. Overview of the Financial Year

The development of business of ECC as a service provider for clearing and settlement is connected to the success of the partner exchanges affiliated with it. For this reason, the development of the corresponding markets plays an important role for ECC and is outlined briefly below.

Development of business

Through its international network of affiliated partner exchanges ECC is the market leader in the field of clearing and settlement of power products in Continental Europe.

The situation on the market in 2011 caused strongly fluctuating volumes. The trading activities, and, as a result, the clearing activities were affected by uncertainties on the market regarding the future economic development and the lack of clarity regarding the effects which political and regulatory decisions will have on the energy and emissions markets.

EEX AG, EEX Power Derivatives GmbH (EPD)

At 52 percent the settlement of exchange and OTC transactions which are concluded or registered for trading on the markets of European Energy Exchange AG (EEX, Spot and Derivatives Markets for Natural Gas and Emission Allowances, Coal Derivatives Market) and of EEX Power Derivatives GmbH (EPD, Power Derivatives Market) constituted the essential share in the ECC income from commission fees. In 2011, the individual market divisions of EEX developed as follows:

Power Derivatives Market

After the strong financial year 2010, the volumes settled by ECC in 2011 fell by -11 percent or by -133 TWh from 1,208 TWh to 1,075 TWh.

A volume of 577 TWh thereof (previous year: 712 TWh) comes from clearing of OTC transactions and a volume of 499 TWh (previous year: 497 TWh) comes from exchange trading. At -19 percent, the volume of OTC transactions registered for clearing was again lower than the values for the previous year and, hence, it also fell short of expectations. In addition to the general development of the market, this was also due to the shift in the volume shares towards exchange trading. This share in the total volume increased significantly by 5 percent to 46 percent in the financial year 2011.

At EUR 10.8 million (2010: EUR 12.3 million) the ECC revenue from the Power Derivatives Market, which is the segment with the highest sales, was lower than the value generated in the previous year. In the financial year 2011, revenue from clearing of derivatives market transactions concluded off the exchange (EUR 5.6 million; 2010: EUR 6.9 million), in particular, declined. It accounted for 24 percent (previous year: 31 percent) of the commission fee income.

Since November 2011, ECC has also offered clearing services for financially settled French Power Futures on monthly, quarterly and yearly basis which are traded or can be registered for OTC clearing on the EEX Power Derivatives (EPD).

Gas Spot and Derivatives Market

The trading volumes in natural gas trading increased, in particular, in spot trading but also on the derivatives market on the basis of targeted measures. This underlines the successful further development and increasing importance of this market segment.

Since the end of May 2011, gas products on the EEX Spot Market have been traded 24 hours a day, on seven days a week (24/7 trading). At the same time, the market areas connected to exchange trading on EEX (GASPOOL and NCG) were expanded with the Dutch TTF market area. Physical settlement is effected for the Dutch transmission system of Gas Transport Services B.V.

At 23.1 TWh, the clearing volume in natural gas spot transactions was 54 percent higher than in the previous year (15.0 TWh). In the field of natural gas derivatives transactions, an increase by 3.6 TWh to 35.5 TWh (previous year: 31.9 TWh) was achieved.

Revenue of kEUR 829 (previous year: kEUR 542) in clearing and settlement of EEX gas trading (Spot and Derivatives Market) was generated in the financial year under review.

Spot and Derivatives Market for Emission Allowances

ECC generates income from clearing and settlement of secondary market transactions on the Spot and Derivatives Market as well as the corresponding primary market auctions of EEX.

On the market for emission allowances, it was only partly possible to build on the successes from the previous year. Even though the Spot Market volume increased slightly by 1 million EUA, the volume on the Derivatives Market declined by -46 million EUA. The primary market auctions, whose volume on the Derivatives Market kept constant, increased markedly by EUR 4 million on the Spot market, and this constituted a factor for success. Following the year 2010, during which comparatively high sales were generated in secondary trading, this trend was not continued in 2011. On the Spot and on the Derivatives Market, the secondary trading volume declined by -46 percent (-4 million EUA) and by -45 percent (-46 million EUA) as against the previous year.

EEX carries out auctions of emission allowances (EUA) for the 2nd trading period of the EU Emissions Trading Scheme on behalf of various EU member states and institutions:

- Since 2010, Germany has auctioned approximately 10 percent of the German emission allowances per year through EEX. This corresponds to a volume of more than 40 million certificates per year. Because of the positive experience gained and the satisfaction recorded by the German Federal Ministry for the Environment, the contract was extended until 2012.
- Furthermore, EEX also carries out auctions for the Netherlands. In 2011, 4 million certificates were auctioned and a further 4 million certificates will follow in 2012.
- In addition, EEX has offered all EU member states auctions for remaining certificates from the national new entrance reserve (NER). Lithuania decided to auction up to 2.7 million certificates on EEX in 2011 and 2012. 850,000 certificates thereof were already auctioned in December 2011.
- The European Investment Bank is selling 300 million EUA (NER 300) on behalf of the EU Commission. In 2012, proportionate shares will be issued to the market through EEX (exchange trading, OTC registration and primary auctions). Exact quantities and the distribution to the respective sales channels are still to be announced.

Because of hacker attacks and the theft of emission allowances, European emissions trading suffered considerably at the beginning of 2011. This, as one example, had the consequence that the German Emissions Trading Authority (DEHSt) was closed between 19th January and 4th February 2011. On account of the separate internal account keeping for delivery accounts by ECC, the settlement of the exchange transactions was safeguarded even during this period. Only the primary market auction on the Spot Market on 1st February did not take place. ECC itself was not affected by the hacker attacks. In order to avoid fraudulent trading in emission allowances, ECC checks the origin of the EUA submitted. In addition to this, ECC established separate delivery procedures for transactions on the primary and secondary market from 1st March.

In the financial year 2011, the revenue from clearing of emission allowances amounted to kEUR 149 and was, hence, -64 percent below the previous year. In spite of volumes which are partly growing, this development of revenues is, e.g., due to the fact that the share of the primary market (which provides less revenue on account of one-sided fee settlement) in the total volume has increased.

Coal Derivatives Market

In 2011, the revenue from the settlement of trading in coal futures was marginal and amounted to kEUR 7 (previous year: kEUR 16).

Clearing Cooperations

EPEX SPOT SE

The Spot Markets for Power with delivery in Germany, Austria, Switzerland and France, which are concentrated within EPEX, all displayed a consistently positive development. In this respect, the German Spot Market provided the biggest contribution to growth. The company continued to benefit from the effect of the German transmission system operators' obligation to market their electricity quotas from renewable energies on a power exchange as is specified by the German Renewable Energies Act (EEG).

At 314 TWh the Power Spot Market volume traded through EPEX increased by 35 TWh or 13 percent (previous year: 279 TWh). A share of 309 TWh became effective as clearing volume on ECC.

As a result, the revenue of the Power Spot segment increased to EUR 6.2 million (previous year: EUR 5.6 million) by 11 percent.

In December 2011, trading in 15-minute contracts was introduced for the German market area (50Hertz, Amprion, EnBW, TenneT) on the EPEX intraday power market. Settlement for these contracts is provided through ECC.

APX-ENDEX Derivatives B.V. (APX-ENDEX)

The revenue from the transactions in TTF Natural Gas Futures, Dutch Power Futures and Belgian Power Futures concluded on APX-ENDEX increased to kEUR 3,020 (previous year: kEUR 2,646) by approximately 14 percent. The increase in the gas segment (51 percent) more than offset the decline in power (-43 percent). UK Power Futures were not settled in the past business year.

Since September 2011, ECC has carried out clearing of physically settled Dutch Power and TTF Gas Week Futures which are traded on APX-ENDEX.

Powernext S.A. (Powernext)

In the past financial year, ECC generated revenue of kEUR 882 (previous year: kEUR 266) on the Derivatives Market and of kEUR 539 (previous year: kEUR 270) on the Spot Market with regard to the settlement of French Natural Gas Futures and French Natural Gas Spot products.

Since May 2011, the spread contracts between the GRTgaz Nord and GRTgaz Sud delivery contracts have also contributed to the positive development of Powernext in the year 2011. Transactions concluded in these contracts are forwarded to ECC for clearing.

HUPX Hungarian Power Exchange Ltd. (HUPX)

On HUPX Hungarian Power Futures have been offered for trading and OTC clearing since July 2011. As a result ECC, which has provided clearing for the Hungarian spot trading of HUPX since July 2010, expands its fields of activities and also provides clearing services for these contracts.

At kEUR 90 (previous year: kEUR 8), the sales revenue generated in 2011 is marginal compared with other markets; however, they are significantly above both expectations and the results for the previous year.

The successful development of the Hungarian power market confirms the contribution which ECC makes to the development of regional energy markets. In this context, trading participants and clearing members benefit, in particular, from the netting-out and cross-margining effects and the standardised ECC settlement processes.

CEGH Central European Gas Hub (CEGH)

In the financial year 2011, the total revenue from the cooperation with the CEGH Gas Exchange of the Vienna Stock Exchange of kEUR 50 more than doubled as against the previous year (+134 percent).

On account of changed regulatory framework conditions (e.g. introduction of a virtual trading hub for Austria) and the pipeline projects which are planned for the medium to long term (e.g. Nabucco) exchange trading is expected to increase further over the coming years.

Development of the Open Interest

On 31st December 2011, the open interest totalled EUR 38 billion (2010: EUR 39 billion) and, hence, declined by -3 percent.

	2011	**2010**
	kEUR	**kEUR**
Futures (power)	31,073,812	34,609,333
Futures (gas)	6,800,192	4,271,604
Futures (EUA)	89,052	185,563
Futures (coal)	11,719	24,870
Options (power)	2,074	10,441
Total	**37,976,849**	**39,101,881**

Further developments

Since 21st November 2011, ECC has used SPAN®[1] as the calculation logic for margins for derivatives transactions. This system (Standard Portfolio Analysis of Risk) is used for commodity margining by a large number of exchanges and clearing houses. In this way, ECC permits optimised cross-commodity margining across all derivatives market products settled by ECC regardless of the question as to on which partner exchange these are traded. With this new system ECC uses all cross-margining potentials which result from the combination of opposite positions – across power, natural gas, emission allowances and coal and within a product across all delivery areas, maturities and periods. As a result, it offers its customers more flexibility and savings potentials.

Since August 2011, it has been possible for the EEC Clearing Members to establish pre-trade limits for the EPEX Day-Ahead Auction. As a result, the Clearing Members can determine the following limits on the Spot Market: EEX Gas Market (EUR limit), EPEX Day-Ahead Auction (volume limit) and EPEX intraday trading (EUR limit).

Since September 2011, it has been possible for Non-Clearing Members to forward their securities collateral deposited with the Clearing Member so far to ECC and their segregation within the systems of ECC. In addition, the new Clearing Conditions contain rules for an accelerated clearer change with a simultaneous transfer of open positions and deposited securities. As a result, the ECC customers are offered more security and flexibility.

The process for an accelerated change of the clearer was used for the first time in November in order to transfer customer positions of an insolvent Clearing Member (MF Global) to another Clearing Member. Moreover, potential risks were covered by the collateral furnished at all times and the clearing fund did not have to be used.

Since 21st November 2011, the contributions to the clearing fund have been calculated using a changed method. This is done in connection with the expansion of cross-margining in order to ensure the implementation of the increasing requirements for clearing houses under supervisory legislation.

Since December 2011, all ECC clearing fees and exchange fees of the partner exchanges have been settled through the ECC Clearing Members as the paying office if these use the services of ECC for the collection of fees. This contributes to the further standardisation of the settlement processes and, furthermore, reduces the preconditions for access to be fulfilled by foreign trading participants since these no longer require a bank account with a German bank.

[1] SPAN® is a registered trademark of Chicago Mercantile Exchange Inc. Chicago Mercantile Exchange Inc. assumes no liabilities in connection with the use of SPAN® by any person or entity.

4. Earnings, Assets and Financial Situation

Earnings situation

At EUR 21.1 million, the income from fees increased by 4 percent. The increased clearing income from the co-operations – in particular, with EPEX, Powernext and APX-ENDEX – once again constituted the main reason for the positive development of results in the financial year 2011.

At EUR 22.9 million, the income from commission fees (which consists of transaction and annual fees) is EUR 0.7 million or 3 percent higher than in the previous year (EUR 22.2 million).

As in the past, the predominant share of the income from commission fees (52 percent) is still generated from clearing and the settlement of EEX trades. This also includes the EPD Power Derivatives Market revenue, which accounts for 47 percent (previous year: 55 percent) of the income from commission fees. In 2011, this revenue from the settlement of Power Derivatives transactions declined by EUR 12.3 million to EUR 10.8 million by -12 percent compared with the previous year.

Revenue from clearing of the Power Spot Market, on the other hand, increased from EUR 5.6 million to EUR 6.2 million by 11 percent or EUR 0.6 million and constituted the second biggest segment of ECC with a volume of 27 percent (previous year: 25 percent). In the framework of the German Renewable Energies Act (EEG), the German transmission system operators became subject to the obligation to market volumes of power generated from renewable sources on a power exchange from 2010. ECC was again able to benefit from this effect in 2011.

The APX-ENDEX derivatives market constituted another mainstay of revenue. At EUR 3.0 million, transactions in TTF Natural Gas Futures, Dutch Power Futures and Belgian Power Futures accounted for a share of 13 percent (previous year: EUR 2.6 million, 12 percent) in the income from commission fees.

In 2011, the expenses for commission fees were almost unchanged as against the previous year. After an amount of EUR 1.8 million in the previous year, these were slightly below the reference value in 2011 at kEUR -49.

In the financial year, the interest result totalled kEUR 538 and was, hence, kEUR 278 higher than the value for the previous year. This is due to higher stocks of cash collateral invested subject to interest and to the inclusion of EEC equity capital in the daily financial investment processes.

During the year under review the other operating income declined significantly and, at kEUR 437, these were -56 percent below the corresponding value for the previous year of kEUR 983. Positive one-time factors in the year 2010 were decisive for this development.

Compared with the previous year, the general administrative expenses increased to EUR 10.1 million (previous year: EUR 9.6 million) by 5 percent primarily on account of the human resources expenses (which increased by 25 percent). Because of the planned expansion of staff, human resources expenses increased from EUR 1.7 million to EUR 2.1 million.

Moreover, the other operating expenses increased essentially on account of the increase in non-deductible input tax from kEUR 75 to kEUR 701 in 2011.

The depreciations of kEUR 1,830 (previous year: kEUR 1,594) essentially comprise scheduled depreciations on goodwill of kEUR 1,183. The other depreciations were essentially effected with regard to capitalised software and systems.

As a result, an EBT of kEUR 9,389 was achieved in 2011. This is -3 percent below the reference value for the previous year (kEUR 9,729). At EUR 6.2 million the annual net profit declined by -5 percent as against EUR 6.6 million in the previous year.

As a result, the return on equity after taxes of 24 percent declined as against the value for the previous year (30 percent). In this context, the return on equity is calculated as the annual profit in relation to the average equity for the accounting period. In 2011, this parameter is again at a high level and illustrates the company's high earning power – even in a difficult market environment.

Asset situation

ECC's asset situation is shaped by its business activities as the central counterparty for trading on energy exchanges. In this context, a special focus is on the trading platforms of EEX Group for which ECC provides the settlement of transactions.

On the balance sheet date, the balance sheet total was EUR 358.9 million and, hence, EUR -39 million lower than the balance sheet total for the previous year (EUR 397.9 million). It is essentially shaped by accounts receivable from banks.

These, in essence, result from the investment of the cash collateral of in total EUR 328.1 million (previous year: EUR 370.1 million) for hedging of transactions with regard to which there were liabilities of an identical amount to clearing participants for the Spot and Derivatives Market. On 31st December 2011, the cash reserve amounted to EUR 2.3 million (previous year: EUR 184.5 million).

Intangible assets declined to EUR 1.4 million by kEUR -794. In 2011, the goodwill was fully written off.

Changes in reporting of other assets with a decline to EUR 8.5 million by EUR -3.1 million as against the previous year are essentially due to lower input tax receivables of ECC from the competent tax office in Luxembourg.

The increase in accruals from kEUR 6 to kEUR 286 is mainly due to the capitalisation of change requests. Until 2011, these were recognised directly as expenditure.

The liabilities to banks were affected by the cash collateral of those Clearing Members that are credit institutions and totalled EUR 115.4 million.

The liabilities to customers comprise cash collateral of EUR 212.7 million provided by Clearing Members (in as far as such are not credit institutions) to ECC.

The company's equity shown in the balance sheet increased from EUR 23.2 million to EUR 28.5 million (before profit distribution). In the course of the capital increase, the subscribed capital increased by kEUR 15 (increase in the shareholding of Powernext S.A. to 1.5 percent). Moreover, EUR 2.3 million were added to the capital reserve. An annual net profit of EUR 6.2 million is reported.

There is a letter of comfort for liabilities of the subsidiary ECC Lux towards a transmission system operator. Moreover, ECC guarantees the fulfilment of the obligations of ECC Lux towards trading participants on the Spot Markets with regard to which ECC Lux has assumed the delivery or acceptance of commodities.

Financial situation

As a credit institution, ECC establishes the solvency ratio in accordance with requirements under supervisory legislation (Regulation on Adequate Equity Resources of Institutes – German Solvency Regulation (SolvV)).

The values as of the reporting deadlines amounted to between 10.0 percent and 58.7 percent and, as result, they were above the required minimum value of 8.4 percent at all times.

The liquidity ratio according to the Regulation on the Liquidity of Financial Institutions (German Liquidity Regulation, LiqV) is established as a further important indicator. To this end, cash and cash equivalent are compared with the payment obligations at the end of the month. This resulted in ratios of between 1.03 and 1.07. These values were above the minimum value of 1 required under supervisory legislation at all times.

In particular against the background of the difficult economic situation in 2011, the Management Board assesses the earnings, assets and financial situation achieved as being positive. Even though the results are below those for the previous year, the company was able to generate a good return on equity and retain its sound capital base in spite of the negative overall economic development and the difficult market situation described.

5. Employees

At the end of the year, the company had 24 employees. At the end of the previous year, ECC employed a staff of 18.

The age structure is as follows:

Age group	**Number of employees**	**Percent**
< 30 years	8	33 %
30 to 39 years	13	54 %
40 to 49 years	2	8 %
>/= 50 years	1	4 %
Total	24	100 %

The share of employees with an academic degree was 83 percent. This share refers to employees with a degree from a university, a technical university or a university of co-operative education. On the balance sheet date, female employees accounted for 42 percent of the staff. As of the balance sheet date, ECC had four executive positions, one of which was occupied by a woman.

6. Risk Management

Risk management system and targets

ECC is a central counterparty within the meaning of Art. 1 Paragraph 1 Figure 12 KWG [German Banking Act]. The Management Board of ECC holds overall responsibility for the wording and implementation of the business and risk strategy. This, in turn, establishes the framework for the design of the ECC risk management system. The detailed design is based on the requirements of Art. 25 a Paragraph 1 KWG and the "Minimum requirements for risk management" by the German Federal Financial Supervisory Authority (BaFin) derived from these.

ECC differentiates between the following risk categories which are controlled in accordance with specific risk management principles:

- Default risk
- Operational risk
- Liquidity risk
- Market price risk
- Business risk
- Compliance risk

On account of the ECC business model, the operational risks and the default risks constitute the essential risk categories for ECC.

As the main risk category of ECC default risks are fully covered by the margin system. The operational risk is calculated using the basis indicator approach on the basis of the volume of revenue and it is then considered with regard to the risk-bearing capacity. Measured against the volume of risk coverage the remaining risk categories are of subordinate importance. Against this background, total or partial risk limits which are significantly below the volume of risk coverage are not allocated. The total of all risks is limited by the risk coverage volume available at all times. The determination of risks and the comparison with the available risk coverage volume are effected on a monthly basis.

With regard to the organisational structure there is a clear separation of functions: The operating divisions are in charge of the on-going measurement and control of risks in the context of the specified risk management principles. The business risk is controlled by the Management Board of ECC. Monitoring of limits set and reporting to the Management Board and the Supervisory Board are effected centrally by the Risk Controlling department. This department is not responsible for the operating business and reports directly to the Chief Risk Officer of the company.

The monthly risk report constitutes the main tool for informing the Management Board about the risk situation. This report is supplemented by daily and weekly reports regarding specific aspects (e.g. the structure of the collateral, the development of the Clearing Members' ratings and stress test results) as well as ad-hoc reports if there are material matters. The risk situation is discussed with the Supervisory Board on a quarterly basis.

The Internal Auditing department checks the adequacy and operability of the individual elements of the risk management system at regular intervals in accordance with the risk-oriented test schedule adopted by the Management Board. In this respect, essential divisions are checked at least once a year.

Counterparty risk

Since, as the central counterparty, ECC steps into the chain between the buyer and the seller, it assumes both parties' default risks. For this reason, the counterparty risk constitutes one of the most important risks of ECC. At the same time, hedging of this risk constitutes ECC's main task.

One element of the risk strategy of ECC is to fully cover this counterparty risk at all times by building lines of defence. These lines of defence consist of the following essential components:

- Conditions for admission: Only institutions which are based in the EU or in Switzerland, which have sufficient financial strength as well as the operating facilities for the settlement of the clearing business, can be admitted as ECC Clearing Members. This is checked in the framework of the admission process and monitored continuously.
- Guarantee by the Clearing Members: The Clearing Member supporting the trading participant guarantees all obligations of the trading participants, e.g. from the provision of collateral, the delivery of commodities or the daily profit-and-loss settlement. All payments are collected directly by the Clearing Member. Only the clearing fees owed are exempt from this guarantee.
- Daily profit-and-loss settlement: Accrued profits and losses are offset on a daily basis and credited to the respective Clearing Member or debited from it.
- Individual margins: Individual margins cover the potential losses from an open position with a security level of 99 percent during a specified holding period.
- Intraday margin calls: ECC is entitled to carry out intraday margin calls and to request additional collateral at all times if this is required on account of the market or risk situation.
- Clearing fund: The clearing fund is a joint form of security provided by all Clearing Members. It covers potential losses which are not covered by individual margins. The amount of the clearing fund is established on the basis of stress tests which are carried out on a daily basis. These tests simulate the effects of the default of one or several participants under the assumption of various extreme but plausible market price developments. ECC's own contribution to the clearing fund (currently: EUR 3 million) is deducted from the clearing fund established in this way. In addition, an individual minimum contribution is established from the historical additional individual margin of a given Clearing Member (including its Non-Clearing Members and customer positions) over the last twelve months. Depending on the assessment of a given Clearing Member's risk ECC also establishes an absolute minimum contribution for the amount of the contribution to the clearing fund.
- Formation of reserves: ECC forms reserves for the clearing fund from its profits in order to contribute to the fulfilment of the obligations of a Clearing Member that has defaulted if required.
- Obligation to replenish the clearing fund: The clearing fund has to be replenished to the original amount within a period of ten business days after it is used. In as far as a Clearing Member is in default, contributions to the clearing fund are released at the earliest one month after all obligations of the Clearing Member that has defaulted have been settled.
- ECC's own resources: ECC's own resources cover potential losses that are not covered by individual margins or by the clearing fund.

- Collateral requirements and collateral haircuts: ECC accepts cash collateral and collateral whose market price fluctuations are covered by adequate collateral haircuts. Collateral is re-assessed at least on a daily basis and concentration risks are taken into account.

In the financial year 2011, one Clearing Member defaulted. The settlement of this default did not result in any financial losses for ECC. The clearing fund was not used. The clearing processes were not affected at any time.

Furthermore, a potential counterparty risk arises with regard to the investment of cash collateral received on the part of credit institutions. For this reason, these funds are exclusively invested in investments with minimum risk at development banks with a zero weighting under supervisory legislation and the highest possible liquidity. The potential losses arising from the default of due clearing fees are low and are considered in the risk coverage assets.

On the balance sheet date (31st December 2011), the collateral stock amounted to in total EUR 1,776 million. On the other hand, there were margin requirements of EUR 1,395 million.

Operational risk

At ECC, operational risks are defined as comprising all potential cases of damage resulting from:

- Malfunctions of the IT systems used,
- Inadequate design of internal processes,
- Errors by employees,
- Errors by or default of external service providers and
- Legal risks.

On account of the far-reaching automated processing of transactions, the operational risk constitutes a further essential risk for ECC.

The ECC risk strategy pursues the superior aim of minimising operational risks by means of the far-reaching automation in connection with approved methods of systems development and comprehensive test procedures. ECC provides core services itself and also uses external service providers in order to generate economies of scale (in particular as regards system operations). The quality of the service providers is examined in the framework of the selection process and continuously on the basis of the service level agreements concluded. Operational risks are identified and assessed in the context of an annual self-assessment.

Back-up processes have been implemented for critical business processes and are tested regularly. Moreover, the quality of internal controls is checked regularly by Internal Auditing.

In the context of the conclusion of balance agreements, priority rules for the nominations by ECC are aimed at – in as far as such are negotiable.

In addition to this, ECC also has insurance with regard to cases of damage caused by errors in commercial operations (E&O insurance) in the framework of the pecuniary damage liability insurance of Deutsche Börse AG (group policy). The potential losses from operating risks remaining after the payment of insurance sums are considered at the amounts required under supervisory legislation in the risk-bearing capacity concept.

Internal processes are described in the “written rules of procedure” of ECC. These contain process descriptions and controlling activities for all essential processes. They are documented in checklists in order to reduce the likelihood of human errors or omissions.

Legal risks are minimised through the use of the standard set of rules and regulations of ECC in combination with standardised contract forms.

A damage database is kept for the on-going monitoring and reporting of cases of damage during operations. In this database, all operating events (even if such have not led to any direct financial damage) are recorded in a decentralised form and, afterwards, analysed in a centralised form.

During the year under review, no major damage which could lead to the conclusion that there might be an increased likelihood of the emergence of such cases of damage in the future was caused.

Liquidity risk

Liquidity risks can arise both from the settlement of the on-going business and in the event of a default of a Clearing Member.

On account of the pursued business strategy, the settlement of the on-going business does not lead to any material differences in time periods.

The ECC risk strategy pursues the aim of avoiding differences in time periods in the balance sheet by means of an adequate investment policy. The financing requirements for current expenses (incl. profit distributions) and investments are planned and covered in the framework of medium-term planning. Any unplanned funding shortfalls (which might essentially result from taxation matters) are covered by providing liquidity reserves. Supervision and reporting regarding the liquidity risk are effected on the basis of liquidity ratios as per supervisory legislation, a continuous twelve-month liquidity forecast and the analysis of the liquidity impact of various business development scenarios.

The default of the Clearing Member and the effects on liquidity connected with it are controlled on the basis of the high requirements placed on the convertibility of collateral to be furnished into cash, adequate collateral haircuts on collateral provided and on the limitation of risk concentrations with regard to the collateral received.

Market price risk

On account of the positions which are closed on principle in the clearing business, there are no market price risks. The market price risks resulting from the remaining business operations (essentially currency risks) are insignificant and controlled in line with the respective situation.

Business risk

The essential business risk consists of the company's dependence on only a few high-revenue markets and a potential decline of revenue while fixed costs remain unchanged. This is due to the fact that the ECC revenue largely depends on the volume settled.

ECC's risk strategy aims at controlling this risk. This is done by avoiding fixed costs in as far as possible by opting for variable cost components, by inclusion in risk reporting, by comparisons with competitors and by means of monthly financial reporting with target-actual comparisons.

ECC monitors the regulatory changes in co-operation with the European Association of CCP Clearing Houses (EACH) and uses these sources to assess and control these strategic risks.

In addition to purely quantitative analyses, ECC also carries out qualitative evaluations of the potential stress scenarios. A full erosion of the business model is also taken into account in the scenario observations (reverse stress tests).

The business risk was taken into account in the calculation regarding the risk-bearing capacity.

Compliance risk

ECC settles all transactions via Clearing Members. Since, as banking institutions, these are subject to the rules of the German Banking Act (KWG) (or of other equivalent European rules and regulations) regarding the implementation of measures to fight money laundering, financing of terrorism and fraud, ECC only has a low risk of being abused for money laundering, financing of terrorism or fraud. This risk is re-evaluated on an annual basis in the context of a risk analysis. Moreover, ECC has convinced itself that the Clearing Members have put in place adequate measures to fight money laundering.

The ECC risk strategy aims at identifying a suspicious counterparty as early as during the initiation stage of the business relationship by means of know-your-customer measures which are developed and implemented in co-operation with the exchanges and markets for which ECC provides clearing. During the admission process of the exchanges and markets and of the Clearing Members, all potential counterparties are checked. In the event of justified doubt in the ECC admission process, a decision by the ECC Management Board or by its CRO is brought about.

Sensitive information and information which has to be protected is treated with the strictest confidentiality by ECC. Moreover, rules on good conduct have been established for the company's employees.

Summary presentation of the risk situation

The equity available to cover risks is derived from the equity of ECC shown in the balance sheet less intangible assets. On 31st December 2011, the entire risk coverage assets amounted to kEUR 19,103.

Potential losses from the default of ECC Clearing Members are covered by the multi-tier margin system of ECC. For this reason, this risk category is not compared as against risk coverage assets. On the basis of historical time series, the possible losses from the default of trading participants were estimated at kEUR 17 per year for a normal case as of 31st December 2011.

With regard to operating risks capital requirements of kEUR 296, which were established on the basis of historical time series, were assessed in the basic scenarios. The equity requirement according to the basis indicator approach is used as the worst case scenario. This, in turn, results in capital requirements of kEUR 2,502.

In order to quantify the business risk the effects of various stress scenarios of business development on the planned EBT are analysed. Under the basic scenario this does not result in any capital requirements, while capital requirements amount to kEUR 1,149 in the worst case scenario.

The risk coverage assets available to cover risks are considered as being sufficient to cover the expected risk at all times.

The overall assessment for the financial year 2011 did not reveal any threats to the continuation of business on account of individual risks or of the aggregated risk item. The Management Board does not expect any material changes in the ECC risk profile for the next financial year.

7. Report on Opportunities and Risks

Competitive environment

In the long run, increasing requirements for the trading participants will lead to a consolidation of the exchange and clearing houses in the energy sector. As a result, the utilisation of economies of scale and economies of scope constitute the centre of attention for lasting success in the competition. Moreover, technological developments also play a central role in the strongly growing area of exchange trading in the energy sector.

As a service provider for the clearing and settlement sectors, ECC competes with other clearing houses. Since the settlement of products is largely effected using technical systems and does not necessarily require personal contacts on site between the clearing house and the trading participant, ECC has established a sound position for itself in the international competition.

The market for clearing and settlement services in the energy sector is developing at high speed. Currently, the predominant number of mergers, takeovers and establishments of clearing houses concerns the market for energy products. The financial sector is much more consolidated since the international financial markets have existed for much longer. Nonetheless, the current discussion on the causes of the financial and economic crisis has also provided impulses for changes on clearing and settlement markets for financial products. For example, proposals which aim to strengthen the importance of clearing through central counterparties through new regulatory provisions or to submit services for financial and energy markets to joint supervision are being discussed. These developments have led to a situation in which clearing houses which have operated on the financial market for several years are now increasingly offering services for energy markets. Moreover, the specification of stricter requirements regarding equity resources and the assessment of inherent business risks have resulted in further consequences for the entire competition in this segment. Currently, requirements under banking regulations, future requirements under EMIR and the expected tightening of the provisions under the rules discussed with regard to BASEL III are material for the ECC business model.

Furthermore, the importance of central counterparties is also perceived more strongly in over-the-counter trading.

In addition to the direct competitive pressure on account of competing clearing houses, the competitive environment of ECC also includes competitors of the exchanges co-operating with ECC since changes in the trading volumes on the market platforms connected with ECC also have a direct impact on the volume settled. For this reason, a possible shift of trading volumes to market platforms for which ECC does not provide services also creates indirect competitive pressure. As a result of this, the future development of the market platforms for energy and related products in Europe is of decisive importance for ECC. Based on this, measures will be devised and initiated promptly in as far as necessary.

Opportunities and risks

Both the fundamental advantages of the clearing and settlement services for the trading participants compared with transactions that are not cleared and ECC's focus on energy markets and markets for related products provide opportunities for the future development of the ECC business fields. While all providers of clearing services benefit from the fundamental advantages of cleared transactions to the same degree, the focus on the energy markets provides opportunities to strengthen ECC's position compared with its competitors – such as clearing houses that predominantly specialise in financial markets. The following aspects are relevant for the future development of ECC:

- Because of the debate on the causes of the financial and economic crisis, the advantages of clearing through central counterparties have been perceived more strongly by the regulatory sector as well as the public. This provides opportunities for increasing the share of cleared transactions in the overall trading volume. To this end, changes in the regulatory framework conditions, such as the conditions imposed by EMIR, do not form absolute prerequisites. Rather, the fact that the trading participants recognise and use the advantages of cleared transactions is decisive. This, in turn, is based on a financial evaluation of these advantages. For this reason, an open, dynamic and transparent presentation of these cost advantages by ECC both towards the trading participants and towards political institutions offers opportunities to significantly and lastingly increase the volume of transactions settled by ECC.
- The position which ECC has established for itself so far as a clearing house specialising in energy and related products constitutes a unique selling proposition as against competitors. This opens opportunities to acquire those exchanges which have not been connected to ECC so far as new cooperation partners. In this respect, the identification, further development and continuous communication of the energy-market specific advantages of the ECC settlement systems to potential new partners are of decisive importance.
- The approach pursued by ECC which includes the integration of several market platforms, products and commodities within a uniform settlement system (integrated clearing) provides an essential advantage as compared with competitors and, as a result, it provides opportunities to strengthen the business fields of ECC. This model provides significant cost advantages, in particular, for trading participants that operate on several market platforms since opposite positions can be considered in the calculation of the margins to be furnished.

The political and legal framework conditions for trading and clearing in financial and energy products are subject to profound change in the aftermath of the financial and economic crisis. In order to avoid risks which can turn out to jeopardise even the existence of nation states, it is now obvious that, in particular, financial market players (including exchange operators and clearing houses) will have to fulfil especially strict requirements.

All of these initiatives essentially aim to strengthen infrastructures that are relevant for the system (such as the central counterparties) in their organisation so that their capacity to withstand shocks, such as the default of important market participants, is improved.

Moreover, a uniform regulation for the admission and supervision of central counterparties is created in the EU with EMIR. In the future, this supervision will be coordinated by the “European Securities and Markets Authority” (ESMA). Furthermore, EMIR also contains new requirements for trading transparency, the publication of business data and the abolition of obstacles that hamper the trading platforms’ access to central counterparties. In addition, over-the-counter (OTC) trading which has largely been carried out without regulation and, partly, without collateralisation so far will have to be settled through central counterparties, such as ECC, for many derivatives classes in the future pursuant to EMIR.

Together with the Committee of the International Organisation of Securities Commissions (IOSCO), the Committee on Payment and Settlement Systems (CPSS) of the Bank for International Settlements has revised and tightened the CPSS-IOSCO standards for clearing and settlement systems. These revised standards are scheduled to be published in their final version at the beginning of 2013. Moreover, the new Capital Requirements Directive (CRD IV), which is scheduled to be implemented into national law by 2013, is closely connected to this. This directive, e.g., revises the equity capital requirements regarding exposures for central counterparties. The general zero weighting will cease to apply; however, exposures to central counterparties which comply with the CPSS-IOSCO standards will be allocated a low risk weighting of 2 percent.

Overall, ECC is convinced that it has established a sound basis for itself with regard to these new rules and regulations since its internal processes and procedures have already been adjusted to the requirements under the CPSS-IOSCO standards. In 2012, all internal processes and procedures will be examined for a possible adjustment requirement and subsequently adjusted if required.

The effects of the higher equity capital requirements for the clearing banks resulting from CRD IV are currently evaluated as being low for ECC.

However, bigger impacts are expected if the energy contracts cleared by ECC are subjected to the requirement of settlement by central counterparties and if, at the same time, the thresholds (for the application of new requirements for trading transparency and the publication of business date) to be established by ESMA are exceeded: In this case, trading participants might not be able to fulfil the necessary collateral requirements of the central counterparties or they might not be willing to fulfil the requirements regarding trading transparency. As a result, a limitation of the market attractiveness and, hence, of the clearing volume might evolve. ECC accompanies the process in close co-operation with Eurex Clearing AG, the European Association of CCP Clearing Houses (EACH), the trading participants and supervisory authorities.

However, the developments within the regulatory environment for trading and clearing of financial and clearing products are partly hard to predict in their specific effects – however, they are monitored closely. In this context, ECC is actively involved in the debate.

Furthermore, the end of the year 2011 was shaped by discussions regarding a financial transaction tax - the exact design of which has not yet been established. The plans put forward so far provide for the taxation of the nominal value of all purchases and sales of financial derivatives; however, central counterparties are to be exempt from this tax. ECC would not be directly affected by this model. However, the ECC trading participants would face major cost burdens in this case. This would make clearing more expensive and, as a result, lead to a corresponding decline in volumes.

The uncertain future development of the energy markets in Europe and the development of the trade volumes on the market platforms co-operating with ECC lead to strategic risks for the business fields of ECC. Risks which might be created by a possible shift in trade volumes between market platforms are minimised through integrated clearing since the origin of the transaction settled on ECC is diversified in this way. However, because of the competition between the market platforms and the different interests of the companies operating these market platforms this model does not provide full coverage of these risks.

Further risks result from the international competition for clearing and settlement services both in the energy and in the financial sector. This competition is promoted, in particular, by EMIR. The regulation provides for a considerable simplification of individual trading platforms' access to clearing houses – and for clearing houses' access to transactions on other trading platforms. However, in this respect ECC's advantage is its flexibility enabling it to respond to customer requirements at short notice and with individual solutions. For this reason, the preservation and strengthening of this flexibility make a decisive contribution to the reduction of strategic risks. Moreover, pricing also plays a role in this.

Summary

The ECC Management Board is convinced that the company has established a sound position for itself in its competitive environment and that this will also apply in the event that it has to adjust and adapt to a changed competitive environment. Current developments regarding tighter regulatory requirements as well as the ECC's development in its core business as compared with the dynamic competition are monitored and internally evaluated promptly.

The Management Board will continue to aim to establish new co-operations with other market platforms and a lasting strengthening of integrated clearing in order to secure the business in the long run and to achieve further synergetic effects for the trading participants.

Outlook / Forecast report

In 2011, the situation on the market was characterised by severe fluctuations in trading turnover. Amongst other factors, uncertainties on the market and a “wait-and-see” attitude with regard to the effects of political and regulatory decisions on wholesale trading have led to lower volumes. The ambitious growth aims for 2011 were not achieved as planned.

With regard to the considerations regarding the economic environment the Management Board is optimistic about the future. Based on a position with a strong capital base and a sound cost structure it will continue to pursue ambitious aims in the medium run.

In the next five years, the ECC Management Board aims at generating an average annual growth in sales revenue of 11 percent. This growth is to be based on a further increase in the clearing volume resulting from a strengthening of the competitive position of the partner exchange and on a significant expansion of the OTC clearing segment in cooperation with the partner exchanges.

Furthermore, the partnership models are to be further maintained and expanded – if this is commercially sensible and feasible.

According to the medium-term plan of ECC, the increase in expenses will be disproportionately low as against the sales revenue as a result of the use of economies of scale and economies of scope. The Management Board expects an annual average growth in EBT of 18 percent. At the same time, both the tighter regulations under supervisory legislation are to be complied with and a sufficient liquidity level is to be attained on the basis of the company’s own strengths.

8. Events after the Balance Sheet Date

There were no events of special importance for the company’s earnings, assets and financial situation after the end of the financial year 2011.

9. Other Notes

Reservation regarding statements about the future

This report contains forward-looking statements. These statements are based on current expectations, assumptions and forecasts by the Management Board and on the information which is currently available for it. These forward-looking statements should not be considered a guarantee of the future developments and results mentioned in these. The future developments and results rather depend on a large number of factors. They comprise various risks and uncertainties and are based on assumptions which might turn out to be incorrect. We do not accept any obligation to update the forward-looking statements provided in this report.

10. Final Statement for the Subordinate Status Report

Statement by the Management Board according to Art. 312 Paragraph 3 AktG (German Companies Act)

As a subsidiary of EEX AG, ECC has prepared a subordinate status report according to Art. 312 AktG. The final statement is as follows:

"In accordance with Art. 312 AktG, the Management Board of ECC AG declares that it has received adequate consideration for every legal transaction listed below. The assessment was made on the basis of the circumstances at the time at which the legal transaction was concluded in each case.

There were no further legal transactions in addition to the legal transactions listed below and, moreover, we do not know of any other measures which would have to be reported."

Leipzig, 2nd February 2012

[handwritten signature] Peter Reitz Chief Executive Officer (CEO)	*[handwritten signature]* Dr. Christoph Mura Member of the Management Board (COO)	*[handwritten signature]* Dr. Thomas Siegl Member of the Management Board (CRO)

Auditor´s Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the European Commodity Clearing AG, Leipzig, for the business year from January 1 to December 31, 2011. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual 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 annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company 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 books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and 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 annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company´s position and suitably presents the opportunities and risks of future development.

Frankfurt/Main, February 2, 2012

KPMG AG
Wirtschaftsprüfungsgesellschaft

Signature	Signature
Mock	Müller
German Qualified Auditor	German Qualified Auditor