



connecting markets

➤ ANNUAL REPORT **2007**

EEX 
EUROPEAN
ENERGY EXCHANGE

► Important Parameters of European Energy Exchange AG

		2002	2003	2004	2005	2006	2007	Change 2007 to 2006
Profit and Loss Account								
Sales revenue	K€	9,377	15,248	15,962	23,474	37,795	39,803	5%
Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)	K€	-9,048	1,414	-192	7,560	11,449	16,362	43%
Earnings before Interest and Tax (EBIT)	K€	-20,255	-2,055	-3,328	4,479	8,282	13,038	57%
Balance sheet (as of 31 December)								
Fixed assets	K€	27,366	23,984	21,007	18,051	15,378	12,517	-19%
Equity	K€	30,196	28,471	25,473	28,847	34,403	42,698	24%
Balance sheet total	K€	52,984	66,720	60,379	67,029	93,814	218,320	133%
Core business parameters								
Spot Market								
Volume Spot Market regarding Power	TWh	31	49	60	86	89	124	39%
Volume Spot Market regarding Emissions (EUA)	EUA	0	0	0	2,748,791	8,774,846	5,006,143	-43%
Volume Spot Market regarding Natural Gas	GWh	0	0	0	0	0	405	
Value of products traded, Spot Market (market capitalization)	million €	699	1,448	1,692	4,170	4,899	5,561	14%
Trading participants Spot Market		102	102	111	120	136	158	16%
Derivatives Market								
Volume Derivatives Market regarding Power	TWh	119	342	338	517	1,044	1,150	10%
Volume Derivatives Market regarding Emissions (EUA)	EUA	0	0	0	448,000	2,925,000	17,673,000	504%
Volume Derivatives Market regarding Natural Gas	GWh	0	0	0	0	0	3,698	
Volume Derivatives Market regarding Coal	t	0	0	0	0	1,949,000	246,000	-87%
Value of products traded, Derivatives Market (market capitalization)*	million €	2,882	10,653	11,929	22,030	58,750	124,429	112%
Trading participants Derivatives Market		39	44	52	59	76	108	42%
Corporate parameters								
Employees (annual average)		35	28	30	33	37	49	32%
Sales revenue per employee	K€	268	545	532	711	1,021	812	-20%
Return on equity	%	-66	-6	-12	12	16	19	
Equity ratio	%	57	43	42	43	37	20	

* Value of the products traded on the Derivatives Market from July 2002

> Shareholders (in %)

Eurex Zürich AG	23.22
Nord Pool ASA	17.39
Sachsen LB	17.39
LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH	5.67
Free State of Saxony	3.71
Own shares EEX AG	3.46
E.ON Sales & Trading GmbH	3.22
RWE Transportnetz Strom GmbH	3.06
ATEL Aare-Tessin AG für Elektrizität	2.04
EnBW Trading GmbH	1.50
Vattenfall Deutschland GmbH	1.25
Cegedel International S.A.	1.00
Nordostschweizerische Kraftwerke AG (NOK)	1.00
MVV Energie AG	0.76
Edison S.p.A	0.75
EDF Électricité de France	0.51
RheinEnergie AG	0.51
BKW FMB Energie AG	0.50
e&t Energie Handelsgesellschaft m.b.H.	0.50
Electrabel n.v.	0.50
Elektrizitätsgesellschaft Laufenburg AG	0.50
Elektrizitätswerk der Stadt Zürich	0.50
EnAlpin Wallis AG	0.50
Essent Energy Trading B.V.	0.50
HeidelbergCement AG	0.50
Iberdrola S.A.	0.50
Morgan Stanley Capital Group Inc.	0.50

Vattenfall Europe AG	0.50
VERBUND-Austrian Power Trading AG	0.50
E.ON Ruhrgas International AG	0.26
Avenis Trading SA	0.25
B. Metzler seel. Sohn & Co.	0.25
Bayerische Hypo- und Vereinsbank AG	0.25
Bayerische Landesbank	0.25
citeworks AG	0.25
Credit Suisse	0.25
Deutsche Bank AG	0.25
Dresdner Bank AG	0.25
DZ Bank AG	0.25
InfraServ GmbH & Co. Höchst KG	0.25
Mainova AG	0.25
Stadtwerke Bielefeld GmbH	0.25
Stadtwerke Düsseldorf AG	0.25
Stadtwerke Hannover AG	0.25
SWU Energie GmbH	0.25
Thüga AG	0.25
Trianel European Energy Trading GmbH	0.25
UBS AG	0.25
WestLB	0.25
ZEAG Energie AG	0.25
Free State of Thuringia	0.24
Landesbank Berlin AG	0.02
City of Leipzig	0.01
Others	2.03

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The *European Energy Exchange (EEX)*, formed through the merger of the Frankfurt and Leipzig power exchanges in 2002, has since established itself as the leading centre in European energy trading: The prices for power, natural gas, CO₂ emission allowances and coal, which are quoted on EEX daily, are now used as reference prices throughout Europe. Since its inception, EEX has also acquired the highest number of trading participants for an energy exchange in Continental Europe: The number of trading participants is now 191 participants from 20 countries (as of: 31 December 2007). All of these successes are based on the strategy of developing new markets and innovative products, and shaping these to a decisive degree early on, which is proven by trading in CO₂ emission allowances, the launch of the gas market and the consistent expansion of clearing. New products, European and international partnerships and future-oriented internal structures create the preconditions for further growth. The aim is a clearly defined one: EEX is set to play an outstanding role as one of the most important exchange markets in the global energy trading market of the future.

SHAPING

THE FUTURE

In just six years, the new EEX has managed to establish a position for itself at the helm of the European energy exchanges: The prices established for power in Leipzig are used as reference prices throughout Europe.

Dr. Hans-Bernd Menzel, CEO of EEX, comments on the development of energy trading in Europe and outlines the role and future of EEX in our interview.



DR. HANS-BERND MENZEL

WE DEVELOP NEW
MARKETS FOR
NEW PRODUCTS

Dr. Menzel, will there be a single European energy exchange in the future and will this exchange be EEX?

This question is focussed very much on the term “exchange” – it would be better to speak of a European market and European energy trading when we talk about visions for the future. And this, in turn, also includes the exchanges. Moreover, I don’t think that it should be our primary aim to be the sole energy exchange in Europe against this backdrop, since monopolisation is always a dubious thing. I think it is more important that we help to shape a European market in which EEX can operate successfully.

What should this European market look like? And where do you see the position of EEX in this?

Let us take a brief look into the past with regard to this: The liberalisation of the power market, which began ten years ago, was aimed at a wholesale market with uniform wholesale prices for all of Europe. However, numerous local markets evolved for the determination of local market prices. Even today, power exchanges are still being established in some EU countries. More than 20 platforms of this type have developed so far. This can be seen as a fragmentation which is contrary to the idea of Europe; however, we can also see it as the first step towards the recognition of market mechanisms. At the moment, a second step is taking place as a countermovement – away from diversification and towards integration, moving from regions towards Europe. In Germany, EEX is located in the regional market that is the most profound by far, in a central geographic location. In that sense, our starting position for continued success in European energy trading – and for a decisive contribution to shaping it – is a very good one. We want to achieve this and we will do so. Whether only one exchange will remain or whether there will be an alliance of several exchanges, which have a strong joint appearance towards the outside world, or whether there will be several entities competing strongly in the end is something we cannot tell – at least not from today’s perspective. It is certain that the number of exchanges will be considerably less than 20.

What would be your preferred solution in this case?

The alliance model would be my ideal solution: This way we would have a good combination of local competence, language, culture and regulation on the one hand, and the use of European synergies for the benefit of trading participants and their further business partners on the other.

If you compare EEX with other energy exchanges: What is its unique characteristic, its USP?

In addition to the acknowledged exemplary degree of transparency and quality, it is our will to design. We do not passively wait for innovations or for others to set examples regarding these innovations, we would rather create new approaches and products on all levels of the value chain – even beyond trading as such.

That is what we have done in the fields of CO₂ emission allowances and natural gas over the past year. We do that despite knowing we will only generate modest sales during the first and perhaps even during the second year. Nonetheless, we enter those markets, develop rules for trading, acquaint the trading participants with the exchange procedures and try to increase volumes gradually.

In this way, we create new markets for the products, reinforce the relationship with existing trading participants and attract new ones in addition.

In your view, what is the position which EEX has attained, beyond that of a market place?

EEX is already used as a benchmark for transparency and security today. This will be reinforced even more in the future. And then, there is of course our clearing procedure, which already helps our trading participants to avoid tying-up of capital in the three-digit million range without affecting security.

To what extent is it considered a benchmark?

EEX benefits from the strict German exchange laws and regulations. In terms of transparency, it has an uncontested leading position in Europe and continuously expands its foundation of trust through additional information. This is certainly also driven by the fact that an exchange law such as the one that also applies to commodity exchanges in Germany, does not exist in many other European countries such as in Scandinavia, France and the Netherlands. This means that we have to find a solution as to how we can implement the standard of high quality which not only prevails on EEX because of statutory provisions, but also because of our voluntary commitments in the partnership together with our partner, Powernext, with which we have co-operated in spot and derivatives trading in power since the beginning of the year. This, of course, also applies to other future co-operations. With regard to transparency, we enjoy the position of a role model thanks to the large number of measures which

we have initiated and implemented. This is very demanding and sometimes difficult to explain, after all there is no exchange law, no exchange council or market surveillance abroad.

On the other hand, the efforts of persuasion are relatively easy. Other energy exchanges in Europe almost envy us, as a result of our quality of exchange trading. Furthermore, no one understands the German quarrels regarding market manipulation or an alleged lack of transparency abroad.

What is the general self-image of EEX?

Currently, there are two different concepts of what energy exchanges are and how they work in Europe.

The one, more common concept, is defined by the European Commission rather reservedly as *incentivised exchanges*. These are exchanges which are promoted and supported through political, regulatory or economic incentives and which are frequently in a monopoly situation – a fact which manifests itself in transaction costs which are not really in line with the market. In other cases, authorities even have to curb these costs formally in order to prevent excessive prices.

Our concept of an exchange is a different one, however. EEX is a commercial entity with a task subject to public law, a market which has to fulfil high quality requirements, which is organised and financed with private funds and yet subject to state supervision.

The products on this market are in intense competition with other suppliers: All the products traded on EEX – power, natural gas, CO₂ emission allowances, coal and the corresponding derivatives – can also move from the seller to the buyer through other channels. Moreover, other exchanges are increasingly competing with EEX through product copies.

Where is the advantage for EEX in this?

It keeps us awake and agile, it makes us aware of the fact that we have to fight every day in order to prevail

on the market with our products and services. And we also have to motivate buyers and sellers to trade on our markets and to pay for that every day.

In a nutshell: We want the market, we work for it and we compete with other forces on the market. This also includes the adjustment of the price structure for the transaction fees, which we currently implement and by means of which we tangibly improve competition. In my view, this clear commitment to the market is an essential criterion for the

development and success of European energy trading – regardless of whether it moves towards an alliance model or towards a number of dominant individual exchanges.

In the public perception, liberalisation and market are frequently equated with low prices. Is this a misunderstanding?

Definitely. Liberalisation was intended to create equal conditions for all consumers, at least on the wholesale market, throughout Europe from Finland to Portugal. And this is actually precisely what competitiveness of power prices means. The question or even the request for the specification of an absolute price – be it low or high – almost appears to be a corruption of the word in this context.

Of course, as it is usually the case, the transition from a regulated to a liberalised market initially led to clear price reductions – also on the power market. Then, a contrary movement, which entailed rising prices, developed – as it is also usually the case in this situation: Power plants had to be replaced and more still have to be. High-voltage grids also have to be expanded to make sure that they can take up and transport the enormous quotas of wind power and other renewable energies, but also the high increase in trading volumes.

The discussion regarding prices, which resurfaces occasionally, is a very emotional one: warmth, light, mobility, which are only possible through energy, are emotional values – but they also have a market price which is established on the exchange.

The market as such is not always convenient, on the contrary, sometimes it can even be inconvenient and painful regarding the development of prices. However, there is no alternative in which the same amount of intelligence, effort and analytical strength is used to establish the equilibrium of market prices. This also means that there is no other procedure in economic history which has led to fairer results in the long run.

At the moment, the call for dirigiste measures is frequently voiced to protect consumers ...

... we have to be careful in this respect. In some European countries, we already see industrial policies which are not in line with the market, e.g. under the pretence of the promotion of structurally weak regions or of the subsidised defence of local jobs. In Germany, current surveys show that the Germans are partly more afraid of rising energy prices than of unemployment and inflation taken together. Against this backdrop the fact that some lobbyists jump on the bandwagon or that one political

group or other likes to try and extend a protective hand to the consumers, does not come as a surprise – however, it is still dangerous. The real and complex connections of energy availability, supply and demand, and demand and price, are obscured by this in the short term, and might even stand in the way of a sustainable solution to the problem. For this reason, I am convinced that good contacts between the exchange and the political sector are very important. We have to keep an eye on one another to make sure that there are no undesirable developments. This is particularly true during somewhat more turbulent times.

Dr. Menzel, if we make the comparison with a marathon race: Where is EEX on the path towards a European market at the moment?

In the field of power we have covered a little more than one half of the distance, whereas we have only just passed the starting line in the field of gas. Or in terms of years in regards to gas, we are now where we were with the power market in the year 2000. However, the gas market will probably develop faster, after all, both EEX and all the market participants can contribute comprehensive experience gained from the power sector. In the field of the environmental products, we are currently making a new start and we are still in the training stage with coal.

Are you satisfied with the results which EEX has achieved after one half of the way?

Actually, things can never happen too fast for me. *(Laughs)* But we can also be satisfied with regard to the preconditions and the support from the political sector. The federal government gave the green light for liberalisation as early as in 1998 – in other European countries this only happened in 2007. With regard to EEX itself, because of our work, the understanding that there are control instruments with which price risks can be hedged effectively and efficiently, has become established thinking in the energy sector. On EEX, we have business and trading partners of a corresponding quality trading three times the quantities which are actually consumed – or even more – per year. This means the same quantity of power is traded several times before it is actually delivered in order to be able to manage the different situations which arise in the course of a given year. This is a sign of a healthy market which has an effect on all of Europe. In the field of power, we have managed to come to a situation in which the prices established on our exchange are considered reference prices in many European countries – and even in those countries where other exchanges operate. The prices in France, Switzerland,

Austria, Scandinavia, Poland and the Czech Republic, as well as other countries, display a very strong correlation with the prices established on EEX. Moreover, I am convinced that we have created the best, the most efficient and also the most economical possibility of not only managing the counterparty risk but basically of excluding it in practice through our clearing, which we have offered for several years now. The risk position of the market towards our clearing house has a value of EUR 20 billion. We are also continuously expanding this hedging tool downstream of trading: In addition to the successful co-operation with the Dutch derivatives exchange ENDEX, we also offer clearing for OTC transactions and will launch the co-operation with Powernext soon.

And which obstacles still have to be overcome on the path towards Europe?

Actually, I only see these in the heterogeneity of Europe itself: As charming as this might appear to us personally and privately – different languages, cultures, systems, authorities and regulations have to be understood and integrated. This will be a lot of work.

What would you like to see for the environment in which EEX operates?

We will continue to focus strongly on energy and related products – CO₂ was the beginning in this direction. Moreover, we will become active in other important European regions, and I hope that this will succeed speedily. To that end we will need partnerships in which we are highly flexible as regards the corporate structure. This means that we do not always strive for full control. In the co-operation with Powernext we have opted for a fifty-fifty joint venture on the Spot Market for Power and we have handed over power and control in the derivatives sector to a certain extent. Further partners with which we want to pursue a similar flexible approach are sure to be added. This means more products and more responsibility – also political responsibility – with lower direct entrepreneurial control. This is fitting for the European Union and reflects what we see in Brussels every day. Moreover, I hope that the communication with all supervisory bodies, the regulatory authorities and the entire political sector in Germany and Brussels remains as excellent as it has been during the past year. Furthermore, I hope that harmonised conditions safeguarding the regional and European demand for energy at fair prices will be created soon on a European level. And, finally, I hope that the gas market will have achieved the same progress after one year that the power market achieved in three years.



DR. HANS-BERND MENZEL

Dr. Hans-Bernd Menzel was born in Engelskirchen in 1955. After his studies at the University of Cologne and receiving his doctorate in 1983, Hans-Bernd Menzel worked as a lecturer in business administration at the Rhineland-Palatinate University of Applied Sciences. At the same time, he taught as a guest lecturer at Ecole Supérieure de Commerce in Montpellier as well as being employed at the Institute for EDP Applications.

From 1990 until his appointment as managing director of the Leipzig-based European Energy Exchange AG (EEX) in the year 2002,

Dr. Hans-Bernd Menzel was a managing partner in a well-known management consultancy in Frankfurt am Main, of which he was a member from its establishment in 1987.

DR. WOLFGANG VON RINTELEN



TRANSPARENCY AND
BINDING STANDARDS
FOR THE FUTURE



DANIEL WRAGGE

EEEX benefits from the strict German exchange laws and regulations: It is the undisputed leader in Europe in terms of exchange organisation and supervision. Together with the exchange council with its international members, it launched a transparency initiative, which is now used as a role model for many European markets, several years ago.

➤ “We have to live with the fact that the subject of transparency is associated with rising power prices in the public eye in a very emotional manner, even though the one has nothing to do with the other in the first place.” However, Daniel Wragge sees no point in letting this distract him.

In spite of the successful public relations work that has made it possible to position EEX successfully with the relevant trade press, the energy exchange is subjected to fierce attacks whenever prices for power, heat and mobility increase: Accusations of manipulation and the demand for more transparency as a panacea are publicised almost constantly.

This sometimes leads to frustration for the 42-year old lawyer Wolfgang von Rintelen, who also holds a Ph.D. and is in charge of the legal department and the Market Surveillance at EEX: “Accusations of

manipulation are countered with evidence or, at least, with circumstantial evidence instead of the demand for more transparency. What matters in this case, is not that everyone needs to know everything and be informed of everything at all times. The only thing which matters here is that the exchange and its trading participants are monitored and supervised optimally by all national and international authorities.”

In these cases “you have to stay cool and put an end to all of these accusations with the help of down-to-earth factual information,” Wolfgang von Rintelen emphasises, in his capacity as the Head of Market Surveillance.

Although easy enough to achieve, the exercise has to be repeated time and again: Even the monitoring mechanisms prescribed by law are fairly compre-

Memberships of European Energy Exchange AG

Association of Power Exchanges (APEX)

EuroPEX Association of European Power Exchanges

Eurelectric

BDEW Bundesverband der Energie- und Wasserwirtschaft e. V.

[German Association of the Energy and Water Industry, registered association]

VIK Verband der Industriellen Energie- und Kraftwirtschaft e. V.

[German Association of the Energy and Power Industry, registered association]

VKU Verband kommunaler Unternehmen e. V.

[German Association of Local Utilities, registered association]

Energy Research Institute at RWTH Aachen University

Futures and Options Association (FOA)

Exchange Council

EEX is an exchange under the German Exchange Act and a regulated market as defined by MiFID. In addition to the management board of the exchange and the Market Surveillance, the exchange council is one of the three statutory executive bodies of the exchange. The exchange council with its 23 members has parity composition: 18 members are elected from the circle of the trading participants of the exchange and represent power trading companies, municipal utilities and regional suppliers, brokers, financial service providers as well as industrial consumers. Furthermore, representatives of VIK Verband der Industriellen Energie- und Kraftwirtschaft [German Association of the Energy and Power Industry], Verbraucherzentrale Bundesverband [Federation of German Consumer Organisations], BDEW Bundesverband der Energie- und Wasserwirtschaft [German Association of the Energy and Water Industry] and Bundesverband der Deutschen Industrie e. V. (BDI) [Federation of German Industries] as well as Prof. Wolfgang Pfaffenberger as the investors' representative are members of the exchange council. The tasks of the exchange council comprise, in particular, the adoption of the rules and regulations of the exchange, the appointment and supervision of the management board of the exchange and the appointment of the head of the Market Surveillance. Measures of fundamental importance for the exchange, in particular, are subject to approval by the exchange council. Moreover, the exchange council accompanies all transparency measures on EEX. The parity composition of this executive body and its statutory task ensure that the exchange continuously develops its markets in accordance with the trading participants and that a constant exchange of experience takes place.

hensive on EEX as an institution under public law compared with other European energy exchanges. While the European legal framework only provides for monitoring of the Derivatives Market, EEX with its Spot Market and Derivatives Market is subject to supervision by the exchange supervisory authority and the financial market authority in Germany. This means the same quality and supervision criteria apply both to the Spot and the Derivatives Market – just like in the case of the classic stock exchanges.

In this context, the requirement in the German Exchange Act that trading and pricing have to be effected in a fair manner and free from manipulations, takes the highest priority. This is monitored by the team of the Market Surveillance (HÜSt), which consists of four members and is defined as an autonomous and independent authority under the

German Exchange Act: Two lawyers, a management expert and an expert in business mathematics, record all the data from exchange trading and analyse it on a daily basis, looking for any possible suspicious circumstances which might suggest price fixing and other manipulations.

Wolfgang von Rintelen summarises the result of all the analyses and investigations which were also carried out on the basis of accusations by the media as follows: “So far, manipulation of exchange trading has not been observed, nor has evidence of such been found.”

EEX also enjoys a special position in Europe because of the exchange council in which the trading participants, business associations, financial institutions and consumers are represented, as Wolfgang von Rintelen underlines: “According to my present know-

ledge, there is no comparable institution which actively helps to shape the development of the exchange and discharges supervisory tasks at the same time, on the European energy exchanges. We are very progressive in Germany with regard to transparency and security on the exchange quite simply on account of the statutory provisions. In this field, EEX sets the pace and also acts as a benchmark.”

Beyond these rules which are valid in Germany, EEX does “a lot to promote trust among the public with the help of information and voluntary transparency measures and to establish this trust in the long run”, says Daniel Wragge, outlining the goal.

The EEX transparency initiative “takes into account the frequently raised accusation that the sales side is dominated by a handful of big corporations forcing prices upon powerless buyers,” Daniel Wragge explains the information supplied on a voluntary basis and swiftly refutes this accusation: “Both on the Spot and on the Derivatives Market, we have more than 50 net sellers on a daily average, the majority of which is based in other European countries. This means that EEX constitutes a truly European market which is independent of purely German interests and very well protected against manipulations.”

By proactively taking all these measures, we will succeed in “further reducing any possible deficits in trust, which dominate the public discussion regard-

ing energy” (*Daniel Wragge*). And Daniel Wragge knows what he is talking about: At the Corporate Communications Department he is in charge of political and corporate relations and the ongoing dialogue with the political sector.

EEX wants to continue to set standards: In September 2007, the exchange council commissioned a new compliance committee to prepare general rules of conduct and a model for standard best practice for energy exchanges, which could be adopted throughout Europe in the medium to long term: “Europe needs uniform standards for exchanges and a harmonised supervision system both for the Spot and for the Derivatives Market in the energy sector”, Wolfgang von Rintelen explains. And he goes on to comment: “The fact that EEX makes a decisive contribution through the development of such standards confirms its pioneering role in the fields of exchange organisation and transparency in Europe. This fact is also acknowledged abroad without any restrictions.”

Both Daniel Wragge and Wolfgang von Rintelen hope that this perception will also be accepted in Germany. “After all, regulation cannot be expanded in extenso,” von Rintelen warns. “At some point, the step from the unlimited call for supervision and control to the abolishment of market-based procedures for pricing and to the establishment of rates by authorities, is only a small one.”



DR. WOLFGANG VON RINTELEN

Dr. Wolfgang von Rintelen was born in Bogota/ Colombia in 1965. He joined EEX in 2005, as Head of Legal Affairs. At the end of 2005, the exchange council also appointed him Head of Market Surveillance. Wolfgang von Rintelen studied law in Heidelberg, he passed the second state law examination in Düsseldorf in 1995 and received his Ph.D. in 2002. Prior to his employment at EEX, his activities included working as a freelance lawyer and corporate lawyer of Hanover Risk Management Exchange over many years.

See page 55 for Daniel Wragge's CV.



WE
FREQUENTLY
OPERATE IN
A SIMILAR
WAY TO
CONDUCTING
OPEN-HEART
SURGERY

MAIK NEUBAUER

Trading in power, natural gas, emission allowances and coal has already become an international business today and partly evolves into global trading processes and market centres. Maik Neubauer describes the developments and processes to which EEX is subject in its operative business and how it positions itself successfully in the increasingly competitive environment.

Mr. Neubauer, where do you see the main tasks of a COO at EEX?

A Chief Operating Officer has to create the preconditions to ensure that the daily business operations of the energy exchange proceed smoothly, safely and efficiently on all levels and in all departments.

For example, we duplicated our computer centre at a second site last year in order to safeguard our business operations in the event of an incident. Moreover, we have also established a backup office for Market Supervision and the clearing department in which these departments can resume trading and settlement within a very short period of time in case of an incident occurring.

However, COOs today are not only in charge of the daily business operations; they also have to focus on the daily business operations in the future to a special degree, with regard to which new and changed requirements have to be considered.

Which new requirements are you alluding to?

These requirements emerge on account of the highly complex field of tension from the daily market events, the tough competition on the market with other exchanges and brokers, the development of new products and services, co-operation with other exchanges and clearing houses as well as developments in the field of technology.

In this context, the COO is in charge of the transformation of the corporate strategy, which has to be defined taking these requirements into account, into an efficient business.

You mentioned co-operation with other exchanges. Which consequences do you expect for exchange operations in the future?

At the moment, we are in a process in which we are opening our corporate structure for partnerships with other exchanges. The spin-off of our clearing house, ECC, was a first step through which we have already managed to acquire the Dutch derivatives exchange ENDEX as a partner. One further consistent step over the past year was the development of the product partnership with Eurex in the field of international emissions trading. We can open up the global network of market participants of Eurex through this partnership. And, finally, we have to mention the new co-operation with the French exchange Powernext, which not only includes spot and derivatives trading in power, but also clearing of French power and natural gas products on ECC.

All of these co-operative ventures and partnerships are accompanied by numerous operative changes in the processes and the IT architectures. So far, we have been able to reflect the entire value chain – Spot Market, Derivatives Market, Clearing and Settlement – with our own processes and systems at our central location in Leipzig. However, as a result of the co-operation, these will be distributed across various exchange sites in Europe in the medium term. A split international organisation is, of course, much more complex than an integrated exchange in one national site.

What is important in all co-operative ventures, is that the organisational and IT structures are opened by both parties. This was simple in the case of the co-operation with Eurex, since we use a joint IT system in derivatives trading and in clearing. However, the other co-operative ventures pose more of a challenge since EEX and its exchange partners use different IT systems in trading.

In the long term, neither the trading participants, EEX nor its co-operation partners will want to work with several systems, since this will entail higher costs for all the parties involved. So, therefore, in the medium term, the co-operation will also include joint IT solutions.

Which product innovations do you have to consider in your planning?

The German natural gas market was launched on EEX in 2007. Moreover, the product co-operation in the emissions trading field also began during that year and will be expanded further during 2008. With the help of these product innovations, essential new energy markets have been opened up for our customers.

However, what is important now, is to further develop these new markets and the existing power market and to expand the core business of EEX in this way. For this reason, the product innovations will have to focus on improvements and further developments of the existing products in the near future. On the Spot Market, examples of this include seven-day trading, the integration of our Power Spot Market into market coupling with our neighbours to the north and west and, finally, the introduction of negative prices.

For the co-operation with Powernext, ECC will offer new clearing services for French power and French natural gas.

On principle, the rule applies that our processes and IT landscape have to be designed to respond flexibly to product innovations in the future which we cannot even foresee today.

In addition to the product innovations and exchange co-operations, there are sure to also be technological challenges. Which of these are particularly topical for EEX?

The European trading platforms use different IT systems both in the so-called back-end technology, in which trades are matched and processed, and in the front-end systems, which are used by the participants to enter orders.

We are very happy with our back-end technology and are certainly well prepared for the future with it. This not only concerns trading on EEX but, in particular, also the settlement on ECC.

However, the trading participants' technical connection to our trading systems poses a challenge. In this field, we have to make further efforts in order to be able to offer flexible and scalable solutions for our customers. A bank which operates on many markets with many traders certainly has different requirements for communications and front-end technology in this context, than a small public utility company with perhaps only one trader.

We have taken an important step in this direction with the introduction of our EEX Communicator, enabling us to now offer the Trayport front-end, which is highly popular in energy trading. This is also in addition to the front-end of our IT service provider Deutsche Börse Systems, which is firmly established on the financial markets. The former in particular enables our trading participants to integrate several energy trading markets into one uniform trading screen.

You mentioned the transformation of the corporate strategy into the operative day-to-day business: What does the introduction of new processes and systems look like in practice?

For example, we are currently in the process of launching the new ComXerv trading system for our Spot Market. With this system we not only meet the challenges created by market coupling, seven-day trading and negative prices on the Power Spot Market, but we also simultaneously reduce the number of our Spot Market systems from two to one, so that all the market segments of spot trading in power, day-ahead and intra-day trading, will be accessible for our customers via one system in the future.

This system has been developed together with our systems partner since the summer of 2007 and has been tested in simulated operation from the beginning of April. Over the next weeks it will replace the XETRA Spot Market trading system, which has been used so far on the Power Spot Market.

In this context, the implementation of new systems has to be carried out in addition to the daily business, which must not be affected by this by any means. We frequently operate like in open-heart surgery in this field, since the ongoing trading processes and settlement routines, including clearing, must not be disturbed or even interrupted. If we stay with the metaphor, we could say that these processes have to pump, pump and pump. And they have to do that for 24 hours a day, for example in the case of our intra-day trading.

We can only fully switch to the new platform once the new “heart” is operating smoothly and both systems provide the same results in parallel operation and fulfil our performance criteria.

In most cases, a change of trading systems also requires profound changes in the processes at our trading participants, our clearing house and their clearing members. However, our planning takes this into account and, for this reason, the plans are co-ordinated with the partners concerned.

How many projects are you and the EEX staff currently working on?

If we count all operative processes in the overall group, we have approximately 30 projects on our hands. These include projects in accounting, in the back-office sector or projects necessitated by the relocation at the end of March 2008. These, of course, are projects of various magnitudes, depths and effects – approximately a handful of the projects are as critical for the company as the switch of the Spot Market system described.

And you do that with a staff of less than 60 people?

For these types of projects, we do call in external consultants – although this is on a very selective basis only. Since many of our employees work in the operative day-to-day business and the accompanying processes, we have to manage our project portfolio efficiently. In the course of the further Europeanisation of our business, we will further expand our human resources planning in line with the development of projects, markets and the competition.

In contrast to many other energy exchanges EEX consistently relies on outsourcing its IT. Why? Yes, several years ago we decided to have the trading and clearing systems developed and operated by Deutsche Börse Systems. This means we can use very stable system platforms which have been tried and tested on the international financial market, with a high availability and scalability for increasing trading volumes which are equally high. The advantages are obvious, since we can now focus on our core business and leave any further system development to specialists and system hosting to high-security computer centres, which are constantly monitored by supervisory authorities. By implementing these solutions, we can reach a very high availability of more than 99 percent with our trading systems. And there is another advantage; outsourcing helps us to keep our own structures lean. At the moment, our IT team only comprises five employees, who support our internal IT as well as the settlement systems. So compared with our competitors, we work very efficiently with this team.

And, finally, which priorities have you set for the year 2008 in your capacity as COO? In addition to the safe operation of the operative exchange processes, which I have already mentioned, I think the further consistent expansion of our existing market segments, the implementation of the co-operation with Powernext and, finally, the establishment of ECC as the European clearing house for energy transactions take the highest priority.

Let us start with the existing market segments: Successful exchange markets live on high liquidity. We have this liquidity on our core market, i.e. power; however, we have to develop and expand this market further. In parallel with this, we rely on continuous growth on the German natural gas market. Following the development of the product co-operation with Eurex in international emissions trading, it is now important that a liquid platform for financial institutes and energy suppliers is established with these products.

The recent co-operation with Powernext will have considerable impacts on EEX Group, since new processes and IT systems on EEX and the new European power spot exchange – to be established in Paris, have to be mastered under very tight scheduling conditions without jeopardising the existing exchange operations.

In 2008, our clearing house, European Commodity Clearing AG, will take a further and important step towards becoming the European energy clearing house with the clearing of French power and natural gas trans-

actions. As a result of the current international financial market crisis and the tight liquidity situation of financial service providers, trading participants have once again begun to focus on clearing. For this reason, chances are good that the share of the German power trading market cleared on ECC can be increased further at the expense of the uncleared part in 2008.

As you can see, there will be no stagnation within our organisation over the next months – after all, this is something we cannot and will not allow to happen.



MAIK NEUBAUER

Maik Neubauer was born in Stade in 1968 and has been a member of the management board of European Energy Exchange AG (EEX) and the Chief Operating Officer of both European Energy Exchange AG (EEX) and European Commodity Clearing AG (ECC) since January 2007.

He studied Computer Sciences in Hamburg, International Business Management in Edinburgh and European and International Business Law at the University of St. Gallen in Switzerland.

He was in charge of the European financial market sector at IBM Global Services and worked in the field of management consulting and private equity afterwards.

PHELIX, SWISSIX,
CARBIX AND GAS
PRICES: A DAY ON
THE TRADING FLOOR
OF EEX



TORALF MICHAELSEN

Every day, energy up to the terawatt range is bought and sold on the trading platform of European Energy Exchange. In addition to power and natural gas, EEX offers trading in emission allowances and coal.

➤ Even if trading on the European Energy Exchange commences later, preparations for trading start at 7:30 a.m. at the latest: One of the seven Market Supervisors of EEX starts up the electronic trading systems which the trading participants can log on to in order to sell or buy power, natural gas, CO₂ emission allowances or coal.

Toralf Michaelsen, Head of Market Supervision is team leader and at 37 the oldest member, describes the work on the trading floor: “The actual trading day is 8:00 a.m. until 6:00 p.m. During this time, individual products are traded in different market forms at different times. Usually, the day only ends at 7:00 p.m., once all the steps of batch processing have been completed.”

For the individual products and trading forms, the process is as follows:

Power Spot Market

Continuous day-ahead trading where power is bought today and supplied tomorrow, takes place from 8:00 a.m. until 12:00 a.m. The Swissix (Swiss Electricity Index) price index is established in the auction for Switzerland at 10:30 a.m. and the Phelix (Physical Electricity Index) price index for Germany and Austria at 12:00 p.m.: In this process, the trading participants submit their bids for each individual hour of the next day. Once the results have been determined, the trade confirmations which confirm the individual contracts are sent out, together with the schedule reports for the delivery.

Parallel to this, intra-day trading takes place on a special system over 24 hours seven days a week: This allows traders to trade power up to 75 minutes prior to the delivery, for the short-term optimisation of their demand.

Things only become hectic at the Market Supervision Department “if unforeseen events arise” according to Toralf Michaelsen.

This includes:

➤ System failures at trading participants, e.g. because of a malfunction on a line. In this case, the traders cannot log on to the electronic system – buying and selling bids have to be conveyed to EEX via e-mail or fax and entered manually there.

➤ Requirement of a second auction, e.g. if the supply exceeds the demand because of a high wind load, an intersection for the supply and demand curve cannot be established. In the future, this situation will be resolved through the possibility of entering negative prices. Simply put: The sellers of power pay money to the buyers who buy the power for every megawatt hour (MWh) – “This is still more cost-effective than shutting down the power plants for one or two hours and starting them up again afterwards,” Toralf Michaelsen explains. This phenomenon of negative prices occurs more and more frequently because of the increased use of wind energy.

➤ Increasing numbers of mistrade applications. The trading participants confuse the buy and the sell side (or vice versa) in entering the bids and, as a result, they sell at a price which is too low or they buy at a price which is too high. These trades have to be investigated as to whether they can be cancelled – a comprehensive set of rules determines the criteria and the procedure for this in order to protect the counterparties. Mistrade applications are filed in spot and derivatives trading.

Power Derivatives Market

Continuous trading in base load and peak load power for delivery periods of up to six months (plus the current month), up to seven quarters or up to six years into the future begins after the so-called opening auction, which lasts from 8:25 a.m. until 8:30 a.m. and provides a first price indication to the market.

After 4:00 p.m., the settlement prices for these futures are determined, on the basis of which the individual contracts are assessed for the specific day: European Commodity Clearing AG, the EEX clearing house, calculates the variation margins (profit and losses) for the counterparties in accordance with these.

While the trading participants cover their current power demand on the Spot Market, they hedge their future power deliveries on the Derivatives Market and protect themselves against price risks in this way. On the Spot Market, approx. 430,000 MWh are currently traded on a daily average; the volumes on the Derivatives Market are far greater and can reach more than 10 terawatt hours (TWh; tera = trillion) as the daily peak.

The Derivatives Market reaches those peaks not least due to the information from the market which is relevant for the power price. Trading based on financial motivations “revives exchange trading and enormously increases liquidity” (Michaelsen). However, it also entails a high volatility which is comparable with other markets. Power, commodity and stock markets are interconnected. For example: when the stock exchanges sustained a drastic slump on 21 January 2008, the power price for the

calendar year 2009 also fell to a low of EUR 59.50 per MWh. It only recovered at a settlement price of EUR 61.80 per MWh on 30 January and one month later the power delivery for 2009 was quoted at EUR 64.85 per MWh.

In addition to power, which generates the main sales on EEX, trading in natural gas was launched in July 2007. This “very new product which is still in its infancy” as Toralf Michaelsen describes it is also traded in two forms on the virtual trading platform of EEX:

Spot and Derivatives Market for Natural Gas

From 9:30 a.m., natural gas is not sold and bought in hours but in the form of so-called gas days on the Spot Market. A gas day comprises 24 hours from 6:00 a.m. until 6:00 a.m. on the following day; thermal MWh are used as the trading unit. Gas days are traded until 5:30 p.m. one or two days in advance.

Derivatives trading in natural gas takes place in parallel and also during the time window from 9:30 a.m. until 5:30 p.m. As in the field of power, the buyers/sellers hedge their demand or sales against price risks in advance here for periods of time of six months (plus the current month), seven quarters and six years into the future. “In this field liquidity still needs to develop further. So far, it is ensured for the first three months, the first two quarters and for the first year,” Toralf Michaelsen explains. “However, the market is evolving gradually.”

Since, unlike power, natural gas can be stored and therefore stockpiled, the price fluctuations in natural gas trading are usually not as extreme as in

the case of power. The price development on other commodity markets and the weather conditions have an impact on the volatility of the gas prices. It can increase dramatically if the global demand for energy increases, while fossil energies become scarce. The gas price is visibly correlated with the oil price: when the oil price increased to more than 100 dollars per barrel at the beginning of this year, the gas price also recorded peaks of up to EUR 27.36 per MWh for the delivery year 2009. Afterwards, it fell to EUR 24.34 per MWh once again and has now levelled out at approx. EUR 27.00 per MWh.

The gas trading volume for the trading year 2007, which only comprised one half of the year, amounted to approx. 4.1 TWh. Toralf Michaelsen considers further annual increases of between 20 and 30 per cent to be realistic for the first full year 2008.

Spot and Derivatives Market for CO₂ Emission Allowances

Emission rights are bought and sold on the Spot Market of EEX between 9:00 a.m. and 5:00 p.m. At the moment, the daily emissions volume of these allowance certificates ranges between 5,000 and at maximum 20,000 tonnes.

Toralf Michaelsen cites the “so-called first trading period, which ends in March 2008” as the cause of the low trading turnover and the low prices. “The allowances were issued to the industries free of charge and in a quantity which was far too high as it turned out in 2005. The Carbix price index (Carbon Index – price for the right to emit one tonne of CO₂) fell drastically from initially EUR 20 to only a few cents. The Carbix is established every day in an auction held at 10:35 a.m.”

Nonetheless, he anticipates a “market with enormous growth rates”: The second trading period, for which the allowances will be issued in a lower quantity throughout Europe and will partly have to be paid by the industries, begins in 2008. Even though the corresponding allowances have not yet been issued by the German Emissions Trading Authority (DEHSt), EEX already benefits from this development through increased trading volumes: A record volume of close to one million traded emission allowances per day has already been achieved on the Derivatives Market (between 9:00 a.m. and 5:00 p.m.). The price amounted to more than EUR 20 per t.

Through the co-operation with Eurex in CO₂ emissions trading EEX has managed “to multiply its customer potential at one sweep, due to the fact that Eurex has more than 600 international market participants which can now also trade on EEX without any additional costs,” Michaelsen is pleased. “This has helped us to make good progress

towards the achievement of our joint aim of developing a global market for emission allowances.”

He emphasises that his staff “are not traders. After all, we do not buy or sell anything on our own, we support the buyers and sellers trading on the EEX platform.” For this reason, Toralf Michaelsen prefers the job title “Market Supervisor” since the permanent support of the traders over the phone or via e-mail, monitoring of the trading activities, controlling of the trading systems as well as the determination of auction and settlement prices account for the biggest share of his daily workload.

The requirements are high: Toralf Michaelsen lists “communicative skills, customer-centred orientation, a high degree of flexibility, fast reactions and, first and foremost, absolute reliability” as indispensable qualifications for the employees. “Only those who have all of these skills fulfil the requirements of the everyday work at Market Supervision.”

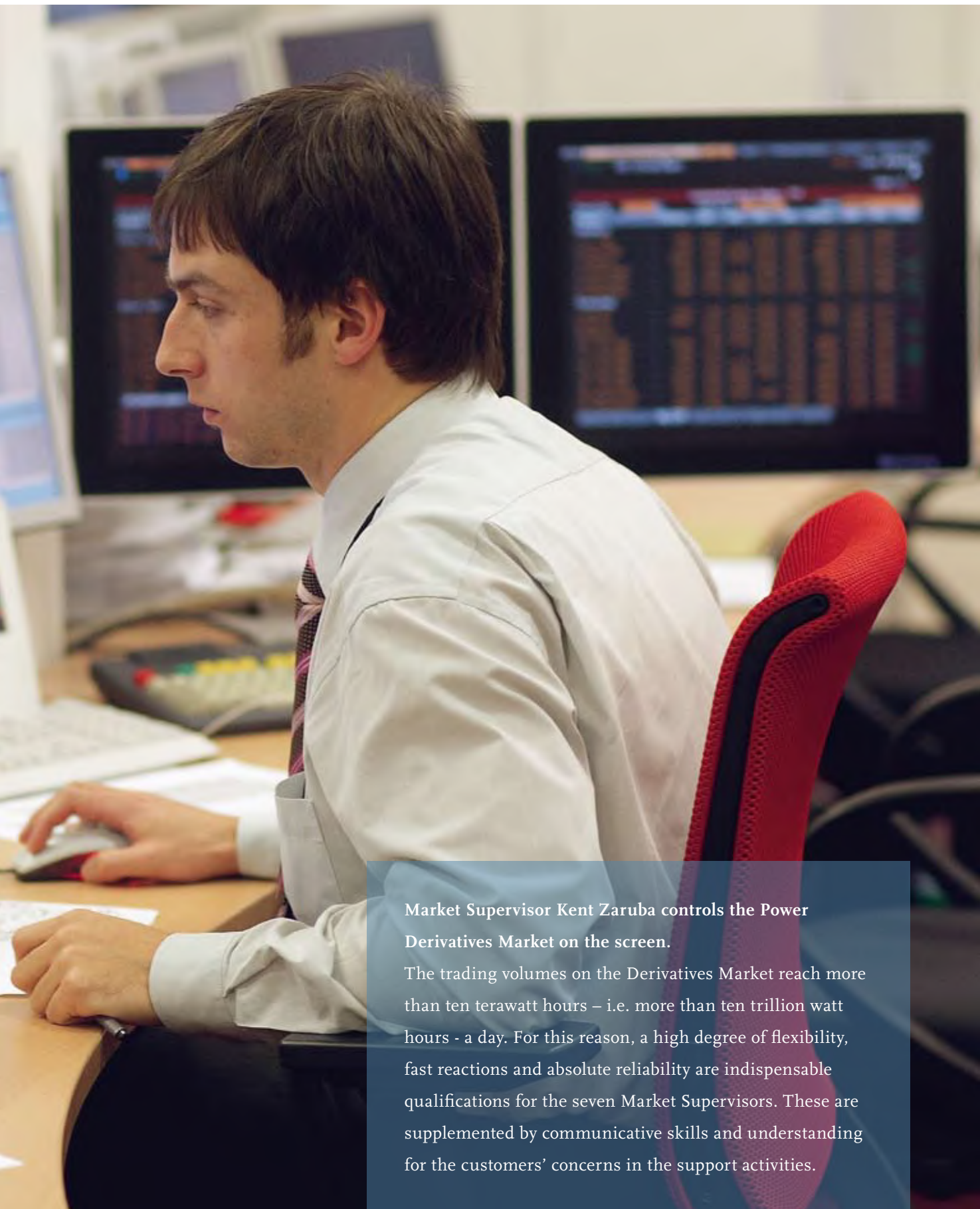


TORALF MICHAELSEN

Toralf Michaelsen was born in Freiberg in 1971. He completed his studies in business management in 1996 with a degree in business administration. He joined EEX in 2001 and made a decisive contribution to the development of the Derivatives Market in the field of Market Operations. He has headed the Market Supervision Department since July 2007.

Prior to his employment at the European Energy Exchange he worked at Stadtwerke Leipzig and at Mitteldeutsche Energieversorgungs AG, Halle. At this subsidiary of Vereinigte Elektrizitätswerke Westfalen AG (VEW AG) Michaelsen was in charge of the establishment of the group's trading department for power and gas.





Market Supervisor Kent Zaruba controls the Power Derivatives Market on the screen.

The trading volumes on the Derivatives Market reach more than ten terawatt hours – i.e. more than ten trillion watt hours - a day. For this reason, a high degree of flexibility, fast reactions and absolute reliability are indispensable qualifications for the seven Market Supervisors. These are supplemented by communicative skills and understanding for the customers' concerns in the support activities.

WE ARE
ON THE PATH
TOWARDS
BECOMING
A MULTI-
CORPORATE
ENTERPRISE



IRIS WEIDINGER

Iris Weidinger comments on how and why EEX is developing into a group, what corporate governance and risk management mean for the energy exchange, the significance of the staff and how EEX will finance itself in the future.

Ms. Weidinger, as a European and global player EEX will have to present its finance and reporting system according to IFRS in the future. What does that mean for EEX?

In accordance with the international conventions, we will for the first time intensively prepare our consolidated annual financial statement for 2008 according to the International Financial Reporting Standards (IFRS).

Essentially, IFRS is about a presentation of all assets and liabilities at fair value. In our case, this will mean that the balance sheet total will increase on account of the differentiated evaluation of the balance sheet items.

We have already had the opening balance sheet audited according to IFRS as of 1 January 2007 and, for this reason, we are aware of the effects of the additional accounting.

In parallel with the accounting realignment we are also in the process of organisational restructuring: We are continuing to change the structure of our group through our co-operations and partnerships. At the end of the day, we also have to meet the requirements in this respect in accounting.

What does that mean for the employees?

They will have to be trained extensively and we have also hired a new colleague who is exclusively concerned with the IFRS issue.

On EEX' path towards becoming a group corporate governance (CG) is gaining in importance. How is this implemented?

Corporate governance – or in other words: the code of conduct for enterprises – is of outstanding importance for us. We are subject to the German Exchange Act and have committed ourselves to maximum transparency as regards the matters of both the exchange and the entity governed by public law. We also want to implement the rules of good corporate management – this is how I personally define corporate governance – on the civil law level. At EEX we are currently thinking about changing existing structures and internal processes of corporate management. Our shareholders and the members of our supervisory board support us on this path – so we are not alone in this. This is the only way we can ensure that corporate governance is more than just lip service.

That will certainly not become any easier under the aspect of international co-operation ...

... the introduction of clearing as a service also for other exchanges already necessitated a clear separation between EEX and ECC, European Commodity Clearing AG, which we completed in 2006. Such “Chinese Walls” will

certainly sometimes be required between individual companies that have been established through co-operations.

How long do you think the process will take until corporate governance is completed?

It is a long and ongoing process: It includes the filling of positions on the management board, it concerns the positions of the members of the supervisory board, also comprises their by-laws, i.e. the rules of procedure for the supervisory board and the management board. Overall, it is a very complex set of rules.

Risk management is increasingly gaining in importance – internally and externally at EEX – also as an offer to the trading participants to the same degree?

In 2007, we hired two risk controllers who are intensively dealing with this topic, including the inclusion and assessment of the risks to the existence of EEX. Two people in a company with a total workforce of 50 is a vast amount to achieve. BaFin (the German Federal Financial Supervisory Authority) was here at the company on the occasion of the spin-off of ECC AG to examine whether our processes and measures regarding risk control comply with the requirements under regulatory law. This in-depth examination had very positive results. We have certainly done our homework – this has been proven clearly. Of course, we also report to the management board and the supervisory board regularly; we also discuss our risks in the framework of our management meetings. As regards risk management, the development process does not stop: It is a process in which we need to continue to develop permanently. However, we have already established a good foundation.

What does EEX look like compared with other exchanges?

On account of legal requirements and obligations we are subject to much more regulation than many other exchanges in Europe. However, we also see this as an advantage: By complying with these requirements we set benchmarks in risk management. The strict regulations regarding transparency and risk management in Germany create a seal of approval for EEX as an exchange and as a commercial enterprise.

Can we afford co-operation partners which are still in a development stage in fields like these?

We have to agree on our standards as a best practice with the partners and implement these in the co-operation. This is a joint process which certainly takes time. However, it is crowned with success if both partners are committed to this aim, which is the case in the partnerships that we have entered into so far. As an exchange, we sell security. In that sense, this is our joint aim and concern.

All of these changes can only be implemented by motivated employees in the long run. What is EEX doing to promote this?

Well, what is EEX after all? We are a service company without essential fixed assets as such – at the end of the day, our assets are found in our employees and in the management of European Energy Exchange AG. Now, what does our staff look like?

We have just over 50 employees and at the end of this year, we will have approx. 60 employees. We are a very young team with an average age of 37. We have a share of university graduates of 80 percent and women account for a share of 50 percent in our workforce, though women are rather underrepresented on the higher level of the hierarchy.

The management of EEX has informed the staff of the strategic development comprehensively at an early stage and made sure that everyone was taken along in the development. The message that the performance of every individual employee really matters has been communicated and internalised. Today, we have a team whose willingness to perform is considerably above average.

What do we do for this? At EEX we have a target-oriented compensation system in which a personal qualification and development requirement based on the respective area of responsibility is specified together with the competent executive.

We offer increasingly good fringe benefits as well as the possibility of optimising the work-life balance. It is important to us that qualified staff have the opportunity to combine having a family and a career. However, in this field we also still have a lot of work ahead of us. In this context, the further training of our employees is an important topic. Together with the human resources, didactic content is developed and conveyed individually or in groups, e.g. with regard to IFRS: In my department it is now of the utmost importance that the staff are completely familiar with the topics of group consolidation and accounting according to IFRS.

Let us move on to another subject: How do you finance the development of EEX?

On 1 January 2005 a harmonised sales tax regulation regarding deliveries of the commodities power and gas went into effect in the European Union. Since we have an export surplus on this market – to put it in somewhat simplified terms – we have to finance very high input tax surplus amounts, which amount to up to six times the equity capital in the case of ECC AG. Of course, we need external loans in order to finance this situation. Apart from this, however, we finance our growth exclusively from the cash flow of EEX, which is positive at all times. Generally, we can obviously say that there is always room for improvements on the balance sheet – but: our figures are good.

What about the inheritance from the past?

Due to the unfortunate initial situation in the year 2002 we still have a balance sheet loss, which will, however, be overcome in the year 2009.

Does the corporate rating already play a role today?

Not currently. However, we will need it in the future and, for this reason, we have to continue to reinforce our structures stringently in order to be attractive for the capital market and obtain the most advantageous conditions.

What do you see as a further important aim for the coming years?

The consistent implementation of our strategy towards growth and Europeanisation throughout all segments. We have to continue to grow fast and this applies in particular in the field of clearing. Further growth in this field – either through co-operative ventures or through the acquisition of market volumes – can make us strong and independent. That is our aim. Clearing houses benefit highly from cross-margining. However, we can only offer cross-margining if we have a very high degree of correlation between different products. We will have to expand the product range in order to generate correlation effects. This cannot be achieved through growth on the German market alone – to that end we will have to operate on a European level and on a global level in the foreseeable future.



IRIS WEIDINGER

Iris Weidinger was born in Bruchsal in 1966. She has worked for EEX since June 2000 and is Director of Finance and Human Resources of EEX AG as well as an authorised signatory of ECC AG today.

Following her training as an expert in business management and as a tax consultant she worked in the commercial trainee programme of E. Breuninger GmbH & Co., Stuttgart and of PwC Deutsche Revision AG, Leipzig.

TRADING PARTICIPANTS BECOME CUSTOMERS



OLIVER MAIBAUM

EEX has repositioned the field of customer relations: In the future, the energy exchange will develop its business throughout Europe with a bigger team, new structures and improved processes. The first success and the positive feedback from the trading participants show that the right decision was made.

➤ The human resources of the EEX Customer Relations Department were increased considerably during the financial year 2007 in order to be able to fulfil the changed tasks and the aims set.

This was due to the following reasons: Oliver Maibaum, Director Customer Relations at EEX and Managing Director Exchange, explains that “the positive development of OTC trading in power off the exchange also has to be transferred to the Derivatives Market on the exchange through an intensification of customer relations. As well as working with the customers more closely in order to recognise developments on the market and customer wishes early on, offering solutions in due time is important for the further growth of the exchange. For this reason, Customer Relationship Management (CRM) is not only a question of processes and systems but also entails an attitude for all EEX employees towards the customers, which comprises

and changes all areas of the company on the basis of customer orientation.”

Oliver Maibaum is convinced that this will be decisive for EEX to hold its ground as the market leader in the increasingly competitive environment of European energy trading in the future.

This approach seems to work: During the first few weeks of the year 2008, the company has already managed to increase the trading volumes on the Power Derivatives Market from 15 to 30 percent of the total turnover – this trend away from unregulated over-the-counter trading (OTC for short) and towards exchange trading “appears to continue into the future,” Oliver Maibaum notes and adds “We are the organiser of the most important European energy trading platform for power, which works according to strict rules and subject to state supervision and covers the entire value chain from trading to clearing and delivery.”



Employees in Market Supervision – the heart of the exchange.

Daily spot and derivatives trading in power, CO₂, natural gas and coal takes place here.

The fact that the 44-year old Oliver Maibaum prefers to talk of customers instead of using the term “trading participant” – the term used in the German Exchange Act – certainly has its reasons. “In the competition among the energy exchanges it is of decisive importance that we expand and stabilise the relationship with our customers in the long run. In this way, EEX can position itself as an indispensable element of a market-oriented energy industry.” The new alignment and intensification of customer relations is clearly welcomed by the trading participants, as is shown by numerous letters, calls and personal meetings.

Oliver Maibaum sees one of the main tasks of the Customer Relations Department in showing the possibilities and potentials of the existing product portfolio of EEX. What is even more important to him, is “developing the markets jointly with the customers on EEX”. Oliver Maibaum uses the term “Open Innovation” to refer to this aim. This new alignment integrates the trading participants or

customers into the market and product development processes more strongly than has been the case so far. EEX’ potential for innovation is increased considerably. In this process, the customer assumes the role of a more active player in the value chain of exchange trading – the customer quasi controls the future development.

“All the parties involved benefit from the results”, Oliver Maibaum emphasises. “We are better able to understand the customers’ needs and wishes than in the past and can sustainably support them in their own business development. Furthermore, we continuously promote the development of the markets for trading in power, natural gas, coal and emission allowances. In this process, we still retain all the specifications and rules in the German Exchange Act, such as the same access to the exchange for everyone and absolute anonymity of the trading participants.”



The optimisation of the pricing model on the Derivatives Market regarding Power constitutes one example of the stronger customer orientation. Following an intensive analysis of the competition, the EEX pricing system was revised according to Oliver Maibaum. “However, a sophisticated pricing strategy is not everything – discounters are not in high demand in energy trading!” In addition to reasonable transaction costs the customers demand an innovative trading platform, liquid markets and optimum support in the day-to-day business with the shortest possible response times.

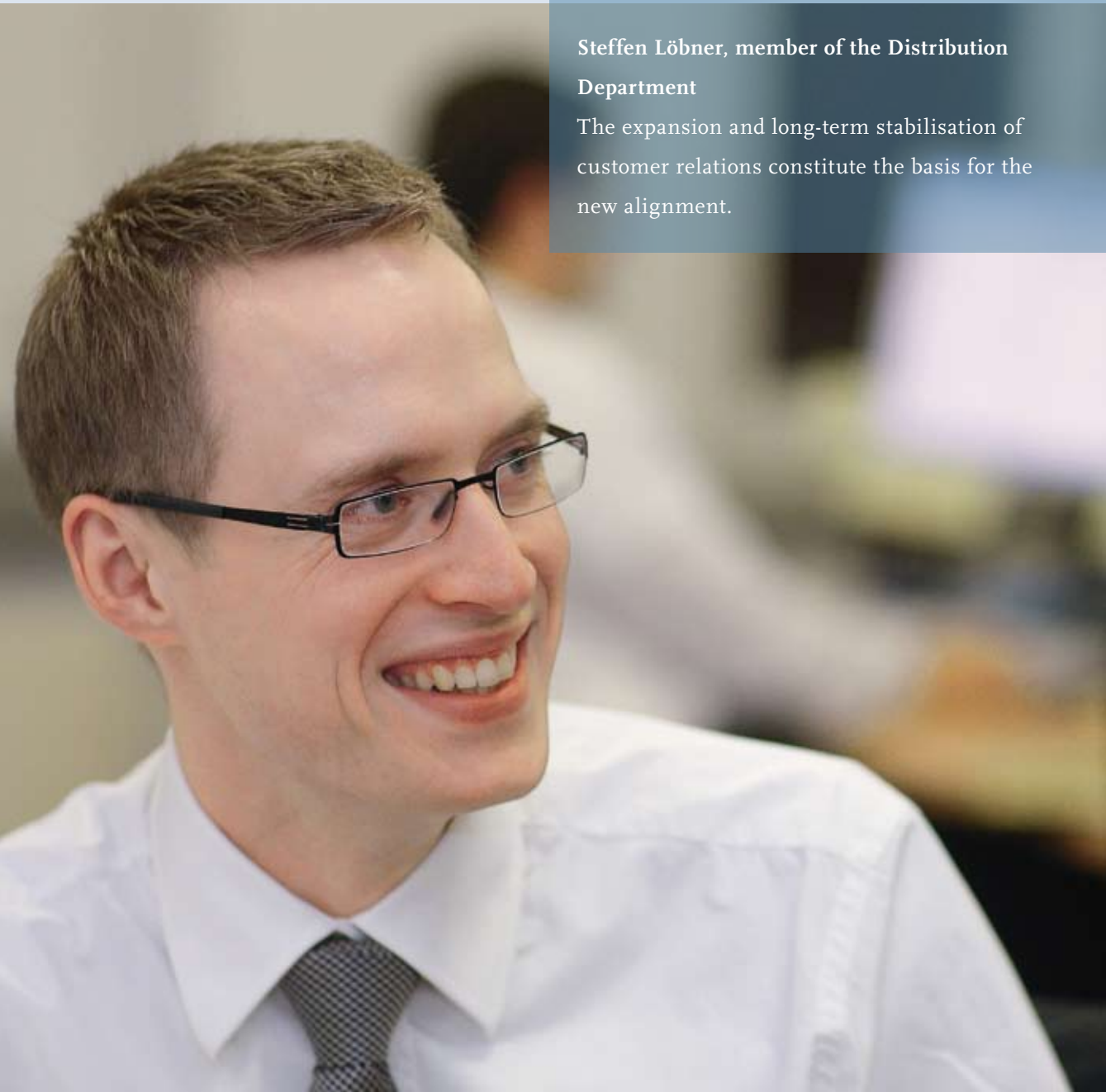
As a result of this, the realisation of those issues and requests is currently on Oliver Maibaum’s agenda: “We have to be creative and cannot simply present products here. The entire EEX organisation is needed in this process!”

This comprehensive form of customer relations requires the commitment and integration of all employees working with the customers and of

customer-oriented processes, from training and licensing of the participants to Market Supervision and accounting. “Systematic customer relationship management integrating the entire organisation alone can sustainably reinforce the connection with our customers and continue the growth story of EEX successfully,” Oliver Maibaum comments.

The Customer Relations Department sees itself as a customer interface through which all customer-oriented activities in the company are optimised and aligned to the respective trading participant. This is how Oliver Maibaum defines the strategy.

“The ability to offer the customer the right products and solutions – that is the core topic and key to the success of EEX – as well as Europeanisation through current and future co-operations,” the Director Customer Relations explains. “In spite of the companies which are currently being established throughout Europe, we consistently pursue the philosophy of one-stop shopping with a uniform distribution and



Steffen Löbner, member of the Distribution Department

The expansion and long-term stabilisation of customer relations constitute the basis for the new alignment.

support concept.” EEX will also make its methods and structures as well as its know-how from the Customer Relations Department available to all co-operation partners regardless of whether these come from Europe, as is currently the case, or from all over the globe, as will be the case in the future.

Oliver Maibaum concludes: “During the last year we have invested a lot of time and money in order to

develop new structures and processes for customer relations. New members of staff were hired and we have developed a reporting system which systematically checks ideas and recommendations by customers in the EEX product development process and implements these where applicable. This has helped to ensure that we are in an excellent position compared with other European exchanges. We want to be the best and we work hard to achieve this!”



OLIVER MAIBAUM

Oliver Maibaum, born in Neumarkt/Upper Palatinate in 1963, was appointed Head of Market Supervision of the Leipzig-based power exchange in 2000. After the merger of the two German power exchanges (2002) he was appointed Director of Market Operations and was given power of attorney. In 2004, the exchange council of EEX appointed him as managing director of the exchange in concert with the exchange supervisory authority. In addition to this, he has been in charge of risk controlling at European Commodity Clearing AG as a member of the management board since October 2006.

Prior to his employment at EEX he worked in the field of holding management for energy trading at Mitteldeutsche Energieversorgungs AG Halle (MEAG), a subsidiary of Vereinigte Elektrizitätswerke Westfalen AG – VEW AG. He began his career at Treuhandanstalt, Berlin in the energy and chemical industries division.

Clearing creates safety and reduces risks in energy trading. Since it has been outsourced to the independent company European Commodity Clearing AG (ECC) the clearing of EEX has turned into a growth sector. In the interview, the Director Clearing & Settlement of ECC, Dr. Albert Moser, specifies the reasons for this trend, describes the particularities of this business and provides an outlook into the future.



DR. ALBERT MOSER

THE MARKET
IS MOVING
DYNAMICALLY

How do you define clearing and its meaning for exchange trading?

Clearing is a service downstream of trading and assumes the counterparty risk in transactions for the trading participants. In other words, it ensures that trading participants do not sustain losses.

This applies to all exchange transactions in principle; however, it also applies to transactions concluded off the exchanges with regard to which ECC offers services in the framework of its OTC (over-the-counter) clearing. To cover these counterparty risks the trading participants have to furnish margins for each open position. At ECC, the market value of the open transactions, the so-called open interest, amounts to EUR 21 billion. With regard to these the trading participants have furnished margins with a value of roughly EUR 2 billion.

In this context, I would like to remind you of sensational bankruptcies such as those of Enron or Texas Utilities – although clearing cannot prevent the bankruptcy as such, it can avoid an extreme loss arising from the bankruptcy. After all, the energy sector is an essential element of the infrastructure and of the entire economy – that needs security.

Dr. Moser, is the significance of clearing restricted to such aspects of security?

No, not by any means. Clearing facilitates and simplifies access to the markets: A central clearing house as the only partner and central counterparty makes it easy to start trading even for newcomers – they no longer have to conclude framework agreements with every individual trading participant in advance. Of course, this applies to all products: If you have natural gas or German and French power cleared at ECC, you can settle these products in a portfolio, use synergetic effects and reduce capital expenditure through cross-margining. The last item mentioned is a very important one for trading participants from the financial market which consider power and natural gas an investment and speculate on rising or falling energy prices as has long been the case in the oil sector. For these investors a settlement which saves as much capital as possible is important; in return, they provide liquidity to the trading platforms for power and natural gas.

Finally, clearing is also used as a connecting link between exchange trading and trading off the exchange. If we summarise all of these aspects, we can say that clearing is – in somewhat simplified terms – a decisive plus for the exchange business which creates value.

Are you happy about the growing importance of OTC clearing?

Of course not. Even though, from a purely commercial perspective, we earn just as much for OTC transactions as for exchange transactions. However, it is detrimental for the development of the market that exchanges as transparent platforms are avoided more and more and that the intransparent OTC market is used instead. After all, in OTC transactions it is not clear for us when they were concluded or which ancillary agreements were entered into. Moreover, high risks arise if prices for the daily mark-to-market are derived from these transactions concluded off the exchange. This development is certainly not good for the market. In this respect, the supervisory authorities and the exchange itself has to manage to make the status of the exchange more attractive and to clearly underline its benefit as a reliable provider of prices for clearing.

Your assessment is astonishing: OTC clearing at ECC contributed almost 50 percent to the EEX sales last year ...

It would certainly be wrong not to offer clearing for the OTC market any more – it would be like burying our heads in the sand. To be precise we do not clear OTC transactions as such. Instead, we tell the trading partners: If you consider the specification of the exchange transaction to be equivalent to your OTC transaction, you can simply convert it into an exchange transaction! The OTC transaction then becomes an exchange transaction and only pricing takes place off the exchange. I reiterate my previous statement: We have to ensure a minimum liquidity of the exchanges and that can only be done if they gain in attractiveness. The clearing houses themselves are strongly dependent on the exchanges. At the end of the day, we have to assess the risks and we need reliable market prices, which can only be established on exchanges. After all, our clearing banks are only willing to take those risks because we use reliable exchange prices as the basis for the risk assessment.

What is your perception of the competition on the clearing market?

The market has begun to move very dynamically. Everyone has finally realised that clearing is an important part of the creation of value in the exchange business. For this reason, almost all major energy exchanges also offer clearing services themselves. In Europe, this applies to our parent company EEX and to the Scandinavian exchange Nord Pool. Even the London-based ICE Futures, which has had transactions cleared through LCH.Clearnet so far, is currently developing a clearing division of its

own with ICEclear through its American parent company. The same also applies on an international level: Nymex in New York has had a successful clearing division of its own for a long time.

What is ECC's response to this?

Because they are grid-bound, power and natural gas are regional products rather than continental or global products. As a result of this, numerous regional and national energy exchanges without clearing services have evolved in Europe. ECC offers its clearing services to these exchanges. In return, these partner exchanges can acquire an interest in ECC and, hence, participate in the creation of value and its development. This is a win-win situation for both sides since economies of scale play an important role in this business model.

Which characteristics determine the success of ECC?

What our exchange partners appreciate is that we accompany them right from the outset, even if the commercial success of a product cannot always be guaranteed – which is frequently the case for small or new markets. I think that our reliability in the promises that we make and keep also contributes to our success. We support our exchange partners in their business strategy and do not slow them down. Our clearing banks and their customers also appreciate our high degree of professionalism and security. In the event of the failure of a counterparty, we would survive and not even be shaken. However, for the further success it will also be important that we are perceived as European even more than is the case so far, even though we certainly already operate on a much more European level than many of our competitors.

Which strategy are you pursuing over the next three to five years?

The spin-off of ECC as an independent company operating its clearing business subject to the corresponding banking supervision, as is common internationally, i.e. subject to supervision by BaFin in Germany, was the first important step. The next aim is to integrate further European energy exchanges and their products. For example, the Dutch spot and derivatives exchange APX with its power and natural gas products would be very suitable for our portfolio and business model, especially in view of the fact that it does not have its own clearing house. Apart from that, we will have to wait and see which other possibilities Europe can offer: In the medium to long term there will be and has to be co-operation with those energy exchanges which have their own clearing house.

**You have already mentioned Nord Pool.
What will that look like?**

Initially, clearing for transactions concluded on Powernext will be implemented in 2008; that certainly takes priority. However, co-operations with Nord Pool are also being discussed: The EEX supervisory board recently decided to develop bases for co-operation with Nord Pool Spot AS and Nord Pool ASA on the Spot and Derivatives Market. A memorandum of understanding regarding a very comprehensive co-operation on the Spot Market is already available. In this context, it appears to make sense to integrate clearing of the spot transactions on Nord Pool Spot AS into ECC. Moreover, co-operation with Nord Pool ASA and its clearing house, Nord Pool Clearing, also appears possible in the field of clearing of derivatives transactions. However, a new situation, the consequences of which we cannot evaluate at the current time, has arisen after the sale of the clearing division of Nord Pool ASA to OMX.

And what about new products?

Over the next five years, the focus will certainly be on energy, i.e. primarily on power and natural gas. In 2007, we have cleared approx. 1300 TWh of power transactions, i.e. only approx. one quarter of the total market for power. As regards natural gas we are still at the beginning of the development of the market. There is still a lot of potential for growth in the existing products over the next five years. Competitors from Scandinavia, one of which is partly owned by Nymex and the other of which is owned by NASDAQ, have already discovered this. We cannot exclude that ICE or its subsidiary, ICE Futures, might enter into the German market soon. In the long run, all energy products, such as coal, oil, LNG, or products related to energy, such as freight and certain agricultural commodities would be suitable for our portfolio. However, I cannot say when the time will be the right for this.

**Does the co-operation with Powernext also
push clearing on ECC?**

The co-operation is about the establishment of a European spot exchange for power which will also have its trades cleared through ECC. Compared with the spot market, the derivatives market is not as important in France. As a perspective, the co-operation will certainly have a signal effect for the clearing business of ECC. France plays an important role in Europe and, together with the German market, this can certainly help to make us the top dog in clearing of power and natural gas on the continent.



DR. ALBERT MOSER

Dr. Albert Moser was born in Linz am Rhein in 1965. He was appointed Chief Representative and Director Clearing & Settlement of European Commodity Clearing AG (ECC), Leipzig, the clearing subsidiary of EEX in 2006. Prior to that he worked as the head of the Product Development Department and afterwards he was appointed Director Business Development. In these positions he has accompanied the development of the EEX since the year 2000.

Albert Moser studied electrical engineering in Aachen from 1986 until 1991. After that, he worked as a research assistant at the Institute of Power Systems and Power Economics in Aachen until 1997. Until the year 2000, he worked for Siemens AG in Nuremberg and Minneapolis in the USA.



KATRIN BERKEN | DANIEL WRAGGE

AUTHENTICITY
AND DIALOGUE
GOVERN
COMMUNICATION

In addition to the communication of information, explanations and the transfer of knowledge are part of the tasks of corporate communications at EEX – to a far higher degree than in manufacturing companies. Public relations at EEX are determined by the principles of dialogue orientation, authenticity and continuity. This compliance with our principles is rewarded by success.

➤ Katrin’s work might have become easier, but her work load has certainly not become less – on the contrary. “The weighting has shifted very much since the end of the year 2002, when I moved to the department of press and public relations at EEX,” recalls Katrin Berken: “Today, we do not have to explain what EEX, as an energy exchange actually does and how it works as much as we used to. The journalists with whom we work regularly are aware of this.”

However, “we now regularly inform the press and the public of the Europeanisation of EEX, the progress achieved through co-operative ventures, the constant growth, our new products and services, our day-to-day business and – last but not least – events on the market and general trends. This really is a vast amount of work, after all, “energy” has become the dominant topic of our times and EEX is in the vanguard in this process.”

It took some time before basic explanations were no longer the primary element of the work. This was necessitated by the special structure of the European energy exchange, which differs fundamentally from other companies and which the 36-year old, experienced PR expert describes as follows: “We do not produce anything which you can see, touch, taste or smell. EEX is an electronic – i.e. a virtual – market platform on which the trading participants conclude transactions with each other – and that is certainly something that requires explanation. The market mechanisms in energy trading are also not very easy to understand and comprehend.”


Even if exceptions confirm the rule and “new press colleagues have to be provided with basic explanations” (Berken) from time to time, the main work of the communications department at the moment is to “provide information, help to shape opinions,



create trust and convey knowledge”, Daniel Wragge complements his colleague’s statements. In the communications team he is in charge of the fields of business associations and political relations.

The team makes use of all the available communications and marketing tools to that end:

- up-to-date press releases and information,
- workshops for journalists and officials from associations which have a modular structure and focus not only on EEX but also on the events on the market,
- panel discussions regarding questions or issues relevant for the exchange and energy industry,
- participation in trade fairs, congresses, events and working groups in order to position EEX adequately with speakers also provided,
- continuous nurturing of the relations with associations: EEX is a member of all relevant associations which deal with energy on a national, European and international level,
- intensive and lasting communication with political decision-makers: with individual, national and European parliamentary groups and parties and EU commissions and commissioners dealing with energy.



The city high-rise building – the new residence of EEX from the end of March 2008.

“We have three essential principles as our obligation at all times: Dialogue-oriented communication has the highest priority. We answer any question – either ourselves or as intermediaries who find the right dialogue partner or partners for every inquiry,” says Katrin Berken, outlining the team’s self-image. She goes on to explain: “Usually, we can do this very quickly. This also shows the high value which the EEX management assigns to public relations.”

The aspects of dialogue orientation and fast response to the wishes of the media and the public are supplemented by the factor of authenticity, which

permeates all levels of the company: “EEX and the people representing it never have to jump through hoops: Everything that EEX has communicated in terms of figures, data, plans or strategies has materialised and none of it has had to be withdrawn,” Daniel Wragge and Katrin Berken emphasise.

The journalists and “actually all of the communication partners” appreciate the consistent alignment to a dialogue which is maintained constantly. “We can be proud of that. The fact “that we do not merely churn out tonnes of paper to the public” is mentioned frequently and we are praised for this, Daniel Wragge is pleased.

And there are many reasons for this:

- The image of EEX as a leading player and reference exchange on the European energy market has been firmly established.
- Important decisions paving the way into the future have been taken in the political sector: The future conditions for trading in CO₂ emission allowances were influenced to a considerable degree not least because of the successful communications work.
- The election of the CEO of EEX, Hans-Bernd Menzel, as the Energy Manager of the Year for 2007 not only rewards the aspects and impulses which he has provided and continues to provide to European energy trading, it is also an expression of the successful communication of his activity to the public.
- The intensive co-operation with the press which is characterised by trust ensures that fast action and response are possible even in crisis situations in order to avoid damage to the company's reputation.

This became particularly obvious at the beginning of 2007, when data regarding trading processes was allegedly provided to the public by EEX itself: Within

a period of just two days the company managed to explain the matter to the relevant journalists and media. The data, which is not accessible for the public on account of the anonymity which is ensured under the German Exchange Act and which is also subject to the comprehensive control and supervision by the Market Surveillance, was procured and sent out illegally.

At the moment, Katrin Berken, Daniel Wragge and the new member of the team, Eileen Hieke, are primarily working on establishing the internal communication with the co-operation partners and developing rules and procedures for the joint public relations work. "It is our ambition to convey our principles to the partners and to work as successfully as in the past, also in the framework of the co-operative ventures", says Katrin Berken, describing the general direction.

This should also work "without any frictional losses" in the co-operation with the French partner Powernext, which was only acquired in December 2007. "We know the staff of the public relations department very well and have already been able to establish a good basis for co-operation", Wragge evaluates the current situation.



KATRIN BERKEN

Katrin Berken was born in Balve in the Sauerland region in 1971 and took over the position of the Head of Marketing at EEX in 2007. She has already worked in the Corporate Communications Department since 2002. Before that, the trained industrial clerk worked at the Market Development/Marketing Department at LPX Leipzig Power Exchange, which merged with EEX in 2002.



DANIEL WRAGGE

Daniel Wragge was born in Berlin in 1976. He studied law in Potsdam, Passau, Melbourne, Australia and Berlin as well as completing his MBA in Advanced European and International Studies in Nice, France. He has worked for EEX since 2006 and is in charge of Political and Corporate Relations in the Corporate Communications Department. Prior to that he worked as a research assistant at the Bundestag.





Dialogue-oriented communication with the public takes the highest priority.

Katrin Berken obtains information on the current developments on the market and significant changes from the Head of Market Supervision Toralf Michaelsen in order to be able to answer inquiries by the media rapidly and accurately.

REPORT BY THE MANAGEMENT BOARD



Dear Readers,

We made good progress in 2007. By taking decisive steps on our path towards European growth, we have reached all our objectives in line with our set plans. This has not only enabled us to expand our position as the leading energy exchange in Continental Europe, but also sustainably reinforced our top position as a trading and settlement platform for energy products through the major success of our clearing activities. And, last but not least, we have also managed to fully comply with our financial plans for the financial year 2007 in spite of challenging trends.

The fast pace continued unabated during the past financial year. Growth occurred in three key segments, namely, the development of regions, products and market segments and operating in these dynamically. Foresight was once again the foundation of our development with strategic and operative milestones achieved in close succession throughout the entire year. The reinforced expansion of our European commitment and the continuous expansion of our product portfolio constituted essential pillars in our concept and realisation for growth.

In accordance with our guiding principle “Connecting Markets – Shaping the Future” we have promoted the reinforcement and expansion of our partnerships as well as our product range. Against this backdrop we have decided to also spin off our Power Spot Market and Power Derivatives Market into independent companies, on the basis of the tried and tested clearing model. This will help us to be able to respond to partnerships on diverse levels both attractively and flexibly.

The co-operation’s offer to other European exchanges was met with the expected echo. As a result of this, the internationally leading financial derivatives exchange Eurex and the French power exchange Powernext have decided to enter into close co-operation with EEX. Our partner in the clearing sector, the Dutch derivatives exchange ENDEX, has underlined its commitment to European Commodity Clearing AG (ECC) through the acquisition of a so-called initial share. Letters of intent regarding the co-operation with further exchanges, such as the Belgian Belpex, have also been signed. The results are quite impressive. For example, trading in emission allowances has increased considerably on account of the co-operation with Eurex, with volumes rising visibly. The figures of the clearing subsidiary operated together with ENDEX speak for themselves: The clearing volumes and the revenue have also increased substantially.

In the course of our regional commitment we concentrated to a large extent on the development of the British market in the year 2007. The profile of EEX in London has been increased considerably, not least through intensive work on site via energy-related media and organisations. EEX customer events and workshops as well as the active participation in congresses and trade fairs showed measurable success, for example, licensing of, in particular, Anglo-Saxon financial institutions for the trading and clearing platform continued.

With regard to our products, we have proven once again that we enter promising markets and segments early on and help to develop these as innovators, in particular with the launch of gas trading on the exchange. In line with expectations, this young trading segment will still need some time before it reaches maturity. However, the course of trading so far confirms that the right steps have been taken. In addition, we have created the preconditions for the participation in two capacity trading platforms on the gas market within the framework of our expansion of segments during the year under review.

The further strengthening of our organisational and customer processes constituted an essential focus of our operative work. In this context, we focused on a higher distribution alignment of the exchange, the development of efficient customer relationship management and a further adjustment of the EEX trading systems to international user standards.

Finally, attractive restructuring of the fees constituted yet another step towards even higher market acceptance. All of the projects were targeted in 2007 and have proved to be effective to date.

In addition to these operative successes presented to you with this annual report, a further anchoring of EEX in the European energy policy and energy industry once again played an important role in 2007. Today, the following statement is truer than ever: EEX is the exchange in Continental Europe which sets the reference price for power. We have endeavoured to continue the further implementation of a viable understanding of transparency successfully through dedicated communication, which focused more on political relations during the year under review.

With the help of all the measures initiated and implemented we have paved the way for further stable growth. With our structure as a group of affiliated companies we are in a stronger position, enabling us to continue to respond to diverse market conditions with flexibility and, first and foremost, to operate with the same quality as in the past.

We owe this success to the efforts of our employees, the trading participants and business partners. The management board would like to thank all for their commitment, trust and support during the financial year 2007, also on behalf of the entire management team. We are looking forward to the further co-operation with you.



Dr. Hans-Bernd Menzel
CEO



Maik Neubauer
COO

REPORT BY THE SUPERVISORY BOARD

During the entire reporting period the supervisory board dutifully carried out the tasks of which it was in charge according to the applicable legislation, the statutes of the company in a total of seven meetings, it accompanied the management board in the management of the company in an advisory capacity and monitored the conduct of the business of the company carefully. The supervisory board was directly involved in all decisions and measures which were of essential importance for the company.



The management board of EEX reported to the supervisory board on the intended business policy, corporate planning, including financial, investment and human resources planning, the profitability of the company, the course of the business as well as the current situation of EEX AG and of the group (including the risk situation and risk management). This was based on the detailed reports by the management board both in writing and verbally. The chairman of the supervisory board as well as the remaining members of the supervisory board and the management board of EEX AG ensured a regular exchange of views between these meetings.

➤ Focus of the deliberations of the supervisory board

The discussion and the adoption of the resolution regarding the planned co-operation between EEX AG and the French exchange Powernext constituted an essential element of the work on the supervisory board and the steering committee preparing the resolutions. In this context, the spin-off of the Power Spot Market under company law, which was effected retroactively as of 1 January 2007, was discussed. The development of the exchange gas market as of July 2007 constituted another key issue.

The human resources committee dealt with matters of the management board during two meetings.

➤ **Financial and consolidated financial statement 2007**

The annual financial statement of EEX AG and the consolidated financial statement for the financial year 2007 were audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin and these documents were certified without qualification. The same also applies to the annual report and the consolidated annual report including accounting. The auditor commissioned was elected by the general meeting 2007 and commissioned by the supervisory board.

The financial statements as well as the audit reports by the final auditor were submitted to all members of the supervisory board in due time. The final auditor took part in the balance sheet meeting of the supervisory board on 1 April 2008 and reported the essential findings of its audit in detail.

The supervisory board has examined the annual financial statement, the management report, the consolidated financial statement and the consolidated annual report. As there were no objections, the result of the audit by the final auditor was approved. The supervisory board approves the annual financial statement prepared by the management board as well as the consolidated financial statement for the financial year 2007. The annual financial statement of EEX AG is therefore, adopted.

➤ **Changes on the supervisory board**

During the financial year 2007, the following members resigned from their office as members of the supervisory board:

State Secretary Christoph Habermann (as of 31 July 2007)

Stefan Leusder (as of 31 August 2007)

Wolfgang Behrens (as of 25 October 2007)

Dr. Robert Herde (as of 15 November 2007)

The following members were delegated or appointed legally as substitute members:

Peter Reitz (since 21 March 2007; as a substitute member for Daniel Gisler, who resigned with effect of 1 December 2006)

State Secretary Dr. Hartmut Mangold (since 1 August 2007)

Wolf-Dieter Ihle (appointed per curiam as of 1 October 2007)

Harald R. Pfab (since 29 October 2007)

Dr. Stefan Mai (since 15 November 2007)

The supervisory board thanks the retired members of the supervisory board for their dedicated and commendable work for the benefit of the company.

On behalf of all members of the supervisory board I would like to thank the management board and all members of staff of European Energy Exchange AG for the work which they have performed during the year under review as well as for their contribution to the extremely successful development of the business.

Leipzig, 1 April 2008

On behalf of the Supervisory Board

A handwritten signature in dark ink, appearing to read 'Jürgen Kroneberg', written in a cursive style.

Dr. Jürgen Kroneberg

Chairman of the Supervisory Board

SITUATION IN THE ENERGY INDUSTRY

➤ **Stable global economy**

In 2007, the world economy was in a stable position even though growth was not quite as strong as during the previous year. On account of the crash of the real estate market in the USA and the global financial crisis which resulted from it, business activity slowed visibly during the summer of 2007 – especially in the USA and in Japan. Southeast Asia was affected only to a small extent. In spite of the financial crisis, a general increase in world trade was recorded. Prices for agricultural commodities in particular – especially those for wheat, maize and soy – increased considerably in the course of the year 2007 – a fact which can be attributed to the decrease in production and increased demand for these commodities, as the basis for bio fuels. In 2007, oil prices reached record levels once again, reaching a level of around USD 100 per barrel for the first time ever. Shortly after the beginning of the year 2008 the price has already crossed that threshold.

At first, the global financial crisis hardly had any impact on the EU countries; the gross domestic product in the EU increased and reached +2.9 percent at the end of the year 2007. In the Euro zone it is only a little weaker at +2.6 percent. Overall, the Euro zone was characterised by economic growth and decreasing unemployment during the year 2007. The dynamic development of the economy in this region is primarily based on increased private consumption and a large amount of gross fixed capital formation.

The generally good economic situation was also tangible in Germany in 2007 – in spite of the highest increase in value-added tax since 1949. Gross domestic product rose by 2.5 percent, economic growth rose by 2.6. Only private consumption declined slightly, by 0.3 percent. The number of people in employment also increased in 2007 and reached a new peak for the post-reunification era. Moreover, the national budget was balanced without new borrowings for the first time in 17 years.

➤ **Energy has become a core element of politics**

The German presidency of the EU council during the first half of 2007 was responsible for a new energy strategy, which is primarily endeavouring to achieve sustainability, a reduction of CO₂ emissions, to support renewable energies and climate protection. For this reason, the heads of government decided to implement an integrated climate and energy policy for Europe – to be reviewed every two years – at the spring summit in Brussels in March 2007. Aims regarding climate change and energy solidarity are defined in the Treaty of Lisbon of December 2007.

Due to the new EU directives regarding energy policy, the German federal government adopted an integrated energy and climate programme at its closed conference in Merseburg in August 2007. The programme comprises the implementation of the EU strategy specifying that the climate protection aims have to be reached by the year 2020.

Moreover, the government has adopted the incentive regulation. This regulation will come into effect on 1 January 2009 and result in a reduction of the grid charges (which currently account for 36 percent of the power price).

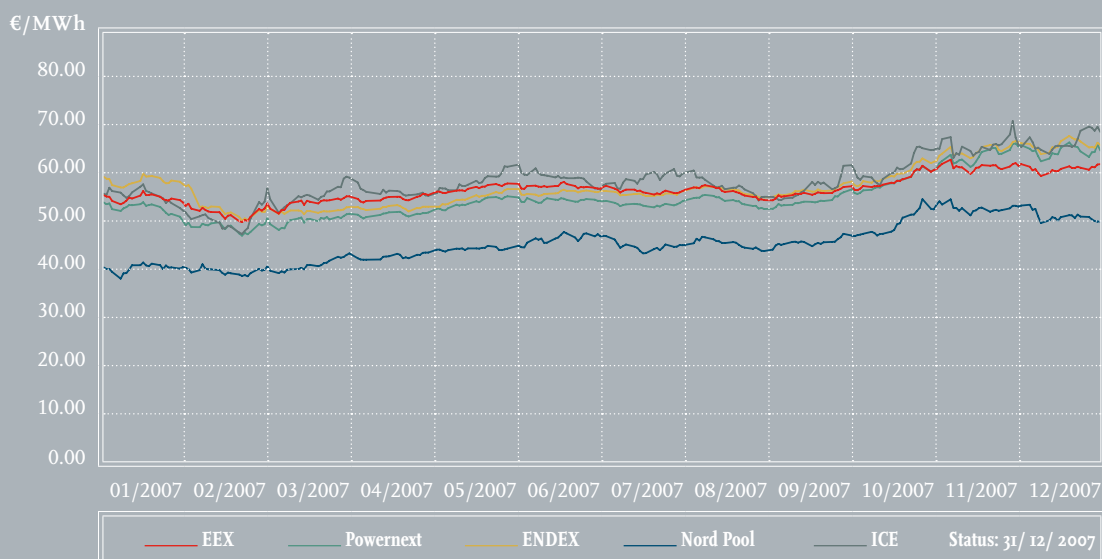
From an energy-policy perspective, transparency is becoming more and more important. On the one hand, this is due to the tremendous price increase over the last few years and, on the other hand, due to the accusations of cartelisation among the energy suppliers. These accusations can only be cracked down on with increasing transparency. Moreover, voices were raised from Berlin demanding more transparency of pricing.

➤ **Energy industry – a story of commodities, renewable energies and prices**

In addition to the tremendous increase in the prices of crude oil and agricultural commodities, it is the growing share of renewable energies in particular which is important from the energy industry perspective: there is no other country in which the expansion of regenerative energies is proceeding as fast as in Germany. For example, while the share in the total power consumed amounted to 11.86 percent in 2006, it already increased to 14.28 percent in the year 2007.

However, the end of the first trading period led to a collapse of prices for CO₂ emission allowances on the Spot Market: while emission allowances still reached peak prices of approx. € 30 in 2006, prices fell during 2007 and only amounted to € 0.02 per tonne of CO₂ on the last day of

→ Development of the prices of the base load year futures (front year) on the European power exchanges.



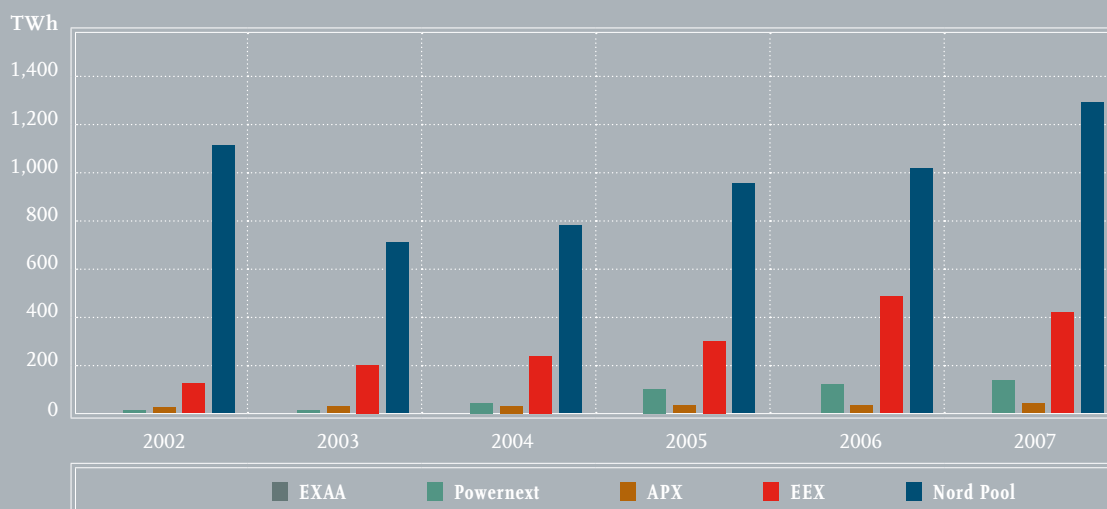
trading. This is largely due to the fact that allowances cannot be transferred between the two trading periods (2005–2007 and 2008–2012) and that the old emission allowances which still remain at the end of the year 2007 expire. The Derivatives Market was not confronted with these problems, since the futures traded concern the second trading period.

► Price development in European wholesale

In the year 2007, EEX was the energy exchange in Continental Europe with the highest sales and the largest number of trading participants once again. For this reason, the Phelix (Physical Electricity Index) was also the uncontested reference price on the European market in the year 2007 once again. In this context, the topic of transparency ranks very high on the agenda both for representatives from the business world and from the political sector. EEX takes this discussion very seriously and commits itself to increased transparency at all times.

The development of prices on EEX is not unusually high in the European comparison. On the contrary: Over the last year, the prices on the different European markets have adjusted more and more – with the Phelix as the reference price. As a result of this, the power price increase amounted to € 0.0059 per KWh in the year 2007. Since 1996, the price has increased by a total of € 0.013 per KWh. →

→ Development of the trading volumes on the European power exchanges



HIGHLIGHTS OF THE FINANCIAL YEAR

> 1st quarter

At the end of January, the exchange council supported an expansion of the transparency initiative; the power plant information provided on the EEX internet site is to be expanded. During the same month, the European Commission published the EU Sector Inquiry, a report which is based on a highly comprehensive examination of the most important energy trading markets in Europe – and, hence, also of EEX. At the beginning of February EEX announced the launch of gas trading for October; a detailed market analysis and interviews of trading participants were carried out in preparation for this step. The launch of trading was planned for the market areas of BEB and E.ON GT. Shortly after this, the first market makers for gas trading were appointed. The exchange council approved the improvements of the auction procedure in spot trading proposed by the management board and endorsed the introduction of gas trading on the exchange. At the press conference on the annual results on 27 March EEX announced that 2006 was its most successful financial year so far.

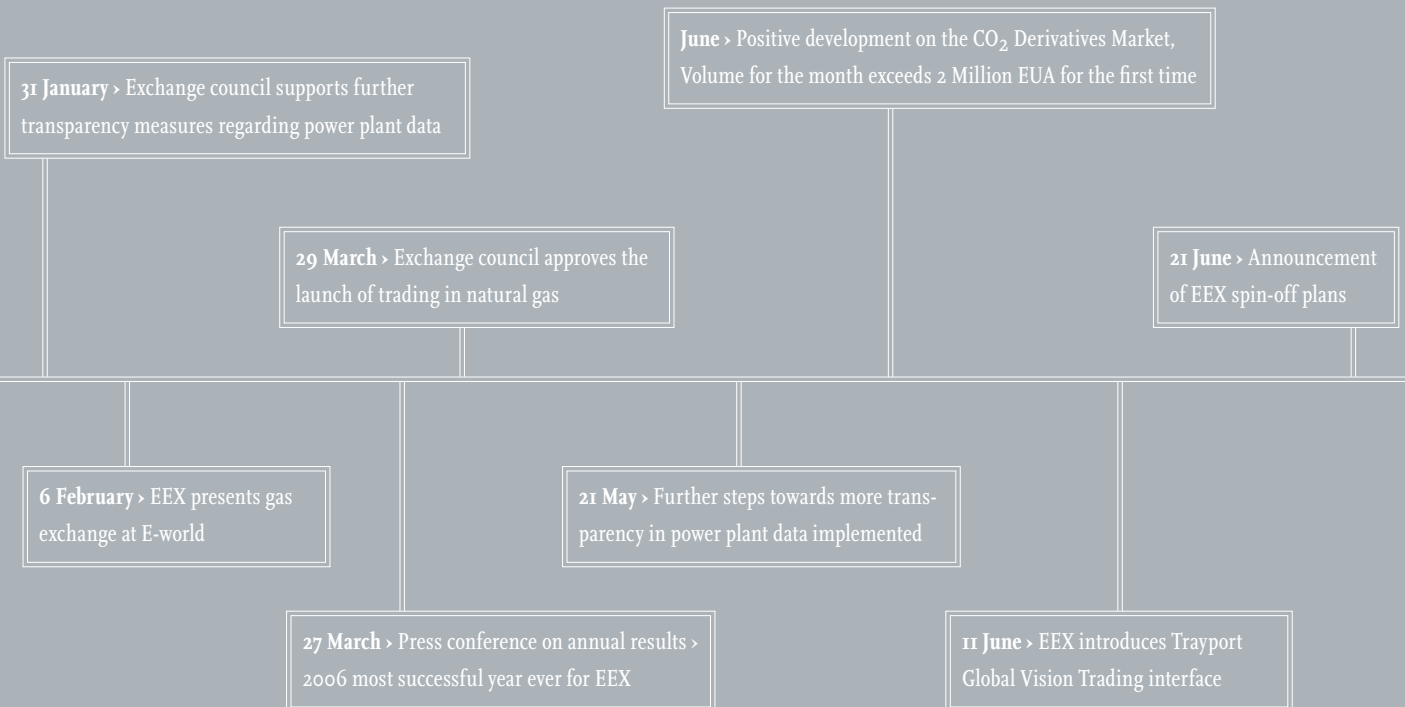
> 2nd quarter

The project entitled “Market coupling between Denmark and Germany” reached its implementation stage in April. At the end of May EEX published “standard messages” on its website for the first time and increased the transparency of the market by means of this measure yet again. In June, EEX proved that it is well prepared for the second trading period in EUA trading and that the optimisation of the trading and settlement processes as well as of the contract specifications was under way. Further products in emissions trading (so-called CER futures) were planned. Since 11 June trading participants on the EEX Derivatives Market have been able to access the EEX markets via the Trayport Global Vision Trading interface. Further steps were taken in the implementation of market coupling between Denmark and Germany: The project partners decided to establish an auction office with the working title European Market Coupling Company (EMCC). In its meeting in June the exchange council was supplemented by an investors’ representative. In addition to this, the exchange council adopted further steps towards increasing transparency. For example, data regarding the trading participants (number of market makers, number of active trading participants on the Spot and Derivatives Market) was to be published in the future. During the same month the general meeting and the supervisory board of EEX discussed spin-off plans – amongst others for the Spot Market regarding Power and the Derivatives Market.

➤ **3rd quarter**

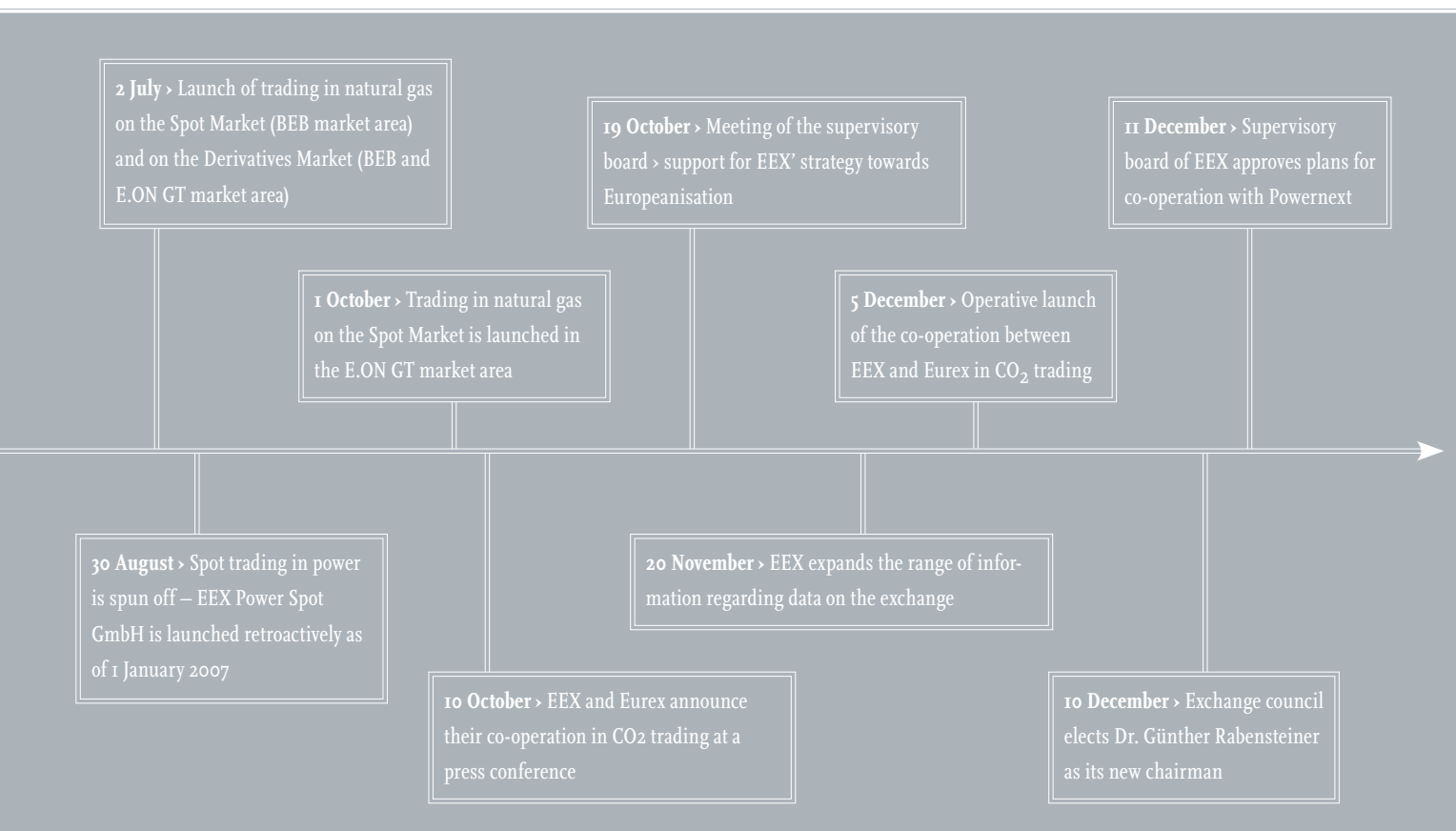
Exchange trading in natural gas was launched at the beginning of July. At the end of August, EEX spun off the Power Spot Market into an independent company: EEX Power Spot GmbH was launched retroactively as of 1 January 2007. At the end of September the exchange council was informed of the planned package of measures aimed at reinforcing derivatives trading on the exchange in the course of its meeting. The exchange council of EEX adopted resolutions regarding the establishment of a compliance committee and the increase of the human resources of the Market Surveillance (HÜSt).

→ **Highlights in 2007**



➤ 4th quarter

At the beginning of October trading of natural gas on the Spot Market was launched in the E.ON GT market area. During the same month, Eurex and EEX announced their future co-operation in CO₂ trading at a joint press conference in Frankfurt am Main. In mid-October a first supervisory board meeting was held on the co-operation plans. One month later, an information workshop on market coupling between Germany and Denmark and on the establishment of EMCC was held in Hamburg. At the end of November, the resolutions by the exchange council regarding transparency, such as the expansion of the range of information on data regarding the exchange on the website of EEX, were implemented. At the beginning of December the operative launch of the co-operation between EEX and Eurex in the field of emissions trading takes place with the opening of the EEX order book for licensed Eurex participants, which results in many new trading participants. On 10 December the exchange council elected Dr. Günther Rabensteiner as its new chairman. In a second supervisory board meeting, the supervisory board adopted a resolution regarding the future co-operation between EEX and the French power exchange Powernext and the integration of the spot and derivatives markets for power.



TRANSPARENCY BALANCE SHEET

➤ Report by the Exchange Council

During the previous year, transparency was once again a central topic for the exchange council of EEX in 2007. The activities and measures initiated by EEX in order to reinforce transparency increasingly met with appreciation, e.g. in the federal and state working group on the “Improvement of Market Transparency in Power Wholesale. Pricing on EEX”. Its report emphasised the initiative of EEX and the role of the exchange council which regularly covers the optimisation of transparency in its meetings. Amongst the public, the insight that EEX is making tremendous efforts on its market and makes a contribution to the transparency of the overall market by means of this took hold in 2007.



For this reason, the exchange council commissioned its newly established compliance committee to prepare a concept with regard to the question of how the tried and tested structures can be preserved, developed further and, primarily, how these can be transferred to new partners against the backdrop of EEX' strategy towards Europeanisation. In this context, the trading participants' integration into the decision-making processes on the exchange plays a special role. This regulation system should also correspond to the current structure of EEX under public law in the future in terms of quality and transparency. Moreover, the decision was taken that information on the active trading participants on the Spot and Derivatives Market, the number of the buyers and sellers as well as the net buyers and sellers on the Spot Market will be made available on the EEX website unrestrictedly as well as free of charge. In addition to this, the shares in the sales which the five biggest participants in the Spot and Derivatives Market generate will be published – each measured against total sales.

With regard to market instruments, further steps have also been accomplished in order to move from the position of the leading power exchange towards the actual aim of becoming the European energy exchange. Natural gas trading was launched. However, in the beginning it proved to be difficult and the young market needed adequate attention in order to mature into a market which is suitable as a reference. Presently, 44 participants are licensed to trade in gas products. Further participants will be licensed and cleared for trading. The exchange council approved the specification of the so-called minimum lot size on the Spot and Derivatives Market for Gas at 10 Megawatt (MW). This constitutes the smallest tradeable unit. At the same time, the exchange

council asked EEX to check whether smaller quantities can also be traded in the future. In 2007, another important topic was the increasingly interconnected character of the European power markets – under the keyword “Market Coupling”. EEX and the exchange council expressly support the promotion of this development. Moreover, the exchange council is also convinced that transparency can be improved even more in this way.

The exchange council of EEX is an official body of the exchange as per the German Stock Exchange Act. It consists of a total of 23 members: In addition to 18 representatives of the trading participants elected from various sectors (both national and international transmission system operators and power trading companies, municipal utilities and regional suppliers, brokers and financial service providers as well as commercial consumers), four representatives of associations VIK Verband der Industriellen Energie- und Kraftwirtschaft e.V. [German Association of the Energy and Power Industry, reg. ass.], Verbraucherzentrale Bundesverband e.V. – vzbv [Federation of German Consumer Organisations, reg. ass.], BDEW Bundesverband der Energie- und Wasserwirtschaft e.V. [German Association of the Energy and Water Industry, reg. ass.] and BDI – Bundesverband der Deutschen Industrie e.V. (BDI) [Federation of German Industries, reg. ass.] as well as Dr. Wolfgang Pfaffenberger in his capacity as the investors’ representative are members of the exchange council.

During its last meeting in 2007 the exchange council of European Energy Exchange elected a new chairman. Dr. Günther Rabensteiner, chairman of the management board of VERBUND-Austrian Power Trading AG, was elected unanimously and without opponent. I would like to use this opportunity to wish my successor in office, who has been a member of the exchange council since 2003 and commands many years of experience in the establishment and development of energy trading and its regulatory environment, every possible success in his work for EEX.



Dr. Jacques Piasko
Chairman of the Exchange Council

> **Confidence**

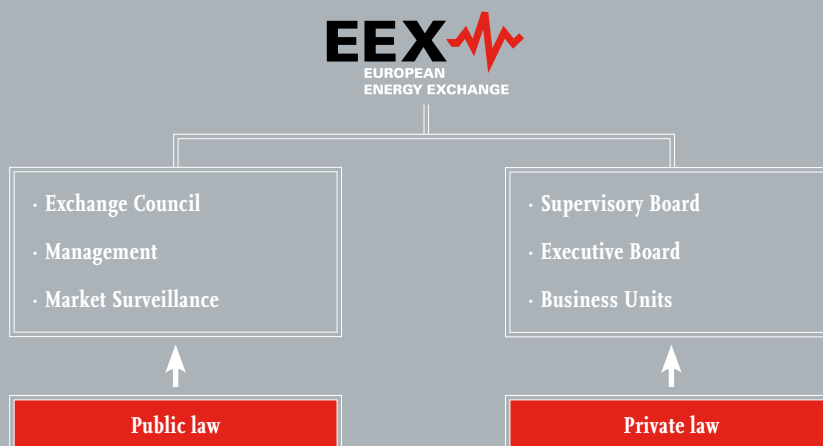
The confidence which the public and the trading participants place in this market, in its pricing mechanism and the price signal resulting from it, which has the character of a reference price for all of Europe in the case of the European Energy Exchange, constitutes the precondition for proper functioning of the exchange.

The trading participants' confidence in the EEX market is based on two fundamental pillars: transparency and security in trading. Diverse and intensive monitoring of exchange trading on EEX ensures that equal opportunities are ensured for all trading participants in anonymous trading and that the statutory provisions are complied with. There is no "secret" data – this is ensured by the Market Surveillance which systematically and fully records and checks all the data from exchange trading and the settlement of exchange trades and carries out any investigation activities which might become necessary in this context.

Transparency pursues the aim of making trading and the trading results in particular understandable, comprehensible and, hence, transparent for all the parties involved as well as for the public. Wherever the anonymity of the parties trading on the exchange has to be preserved, the Market Surveillance assumes control and ensures proper conduct. The significant increase in the number of trading participants over the last years (2005: 132 trading participants, 2006: 158 trading participants, 2007: 191 trading participants) and the development of the trading volumes (total volumes on the Power Spot Market and Power Derivatives Market – 2005: 602 TWh, 2006: 1.133 TWh, 2007: 1.273 TWh) confirm the trust placed in EEX and in its control mechanisms.

The EEX's range of offerings in the field of transparency and information is constantly examined critically, expanded continuously and developed far beyond the statutory requirements of EEX on the exchange council. In the field of the power plant and grid data, the reliable co-operation with

→ Market Surveillance is provided for under public law



the power supply companies, the transmission system operators and the Federal Network Agency is of central importance and the same also applies to the intensive exchange of information and views which is held on the level of the EU. The EEX Transparency Balance Sheet, which has become a tradition by now and has been a firm element of the annual report since 2005 – provides information on the current status with regard to this.

As a topic, transparency is the subject of a discussion which is partly a very emotive one in the public. In this context, the power prices, which are perceived to be too high, are a bone of contention. This has also contributed to a situation in which EEX was confronted with fierce criticism by the media, the political sector and the general public. Against this backdrop, the public relations work of EEX – in particular on account of its position as an exchange under public law – is of major importance: EEX needs to provide information regarding the exchange and the market for which it stands which has to be as comprehensive and objective as possible. EEX fulfils this important task through numerous events for representatives from politics, the press, business circles and interested parties from the general public – who can all be informed of the operation of the exchange on site in Leipzig – but also through the participation in congresses, international forums, conferences, trade fairs and seminars.

► Comprehensive supervision on a national and international level

EEX is supervised comprehensively both nationally and internationally. → On the national level, the supervision mechanisms are based on a unique and exemplary structure in Europe: While the company operating the exchange constitutes a public limited company under private law which operates without any subsidies or market monopoly, the exchange as such is an institution under public law which is subject to the German Exchange Act. This means the same rules which e.g. apply to any other stock exchange in Germany also apply to EEX. In order to make sure that this will continue to be the case in the future against the backdrop of the strategy of Euro-

→ EEX is subject to state supervision

Exchange supervisory authority (SMWA)		BNetzA, E-Control (A), CRE (F)
Market Surveillance (HÜSt)		CEER (EU), ERGEG (EU)
Exchange Council		BaFin, CFTC (USA), AFM (NL), EBK (CH)
Federal Cartel Office		EU Commission (GD Competition, GD Energy)

peanisation pursued by EEX the exchange council has commissioned its compliance committee to develop a concept of how these tried and tested structures and, in particular, the trading participants' integration into the decision-making processes on the exchange can be maintained and developed further.

On account of the fact that trading participants from 20 countries are trading in Leipzig today, EEX is involved in an intensive dialogue with the political sector and the supervisory authorities both on the level of the EU and beyond. In this context, the license by the American Commodity Future Trading Commission (CFTC) permitting EEX to license trading participants based in the USA directly for trading on EEX, in particular, has to be mentioned.

On the level of the EU, the work primarily takes place in forums such as the Florence Forum or the Madrid Forum and in working groups such as the European Regulators Group for Electricity

→ Spot Market: Number of buyers/net buyers



Number of buyers per delivery day across all TSO zones of EEX for the German/Austrian market area



Number of net buyers per delivery day across all TSO zones of EEX for the German/Austrian market area

→ Derivatives Market: Average share of the five trading participants (buy and sell side) with the highest sales on the exchange



The average share of the five trading participants with the highest sales in trading (buy and sell side) per trading participant across all trades in Phelix Futures contracts on a monthly basis.

and Gas (ERGEG). The declared aims of these activities is to foster the liberalisation of the European wholesale markets through a transnational regional approach.

➤ **Spot and Derivatives Market: Transparent pricing procedure**

The publication of up-to-date trading data underlines the transparency of pricing on the Spot and Derivatives Market. The data is made available to the public on the website www.eex.com and in the “Download” area in a timely manner. This is an advantage in the field of transparency from which the German gas market has also benefited since the launch of natural gas trading on the exchange in July 2007. —>

In the framework of the continuous expansion of transparency EEX has considerably increased the range of information offered during the year 2007.

—> **Spot Market: Number of sellers/net sellers**



Number of sellers per delivery day across all TSO zones of EEX for the German/Austrian market area



Number of net sellers per delivery day across all TSO zones of EEX for the German/Austrian market area

—> **Derivatives Market: Market makers' share in total sales**



Presentation of the market makers' share in the total sales on the Power Derivatives Market

In the past the bid curves were usually available at 4:00 p.m. on the day after the auction, trading participants can already see them at 9:00 a.m. now, i.e. before the next auction.

Following an intensive discussion on the exchange council, new transparency measures were adopted and implemented for the Spot and the Derivatives Market for Power. These are provided on the EEX website (www.eex.com) under the menu item “Market Information” under the heading “Transparency Information”. With this step, EEX exceeds the requirements established by the legislature and it, hence, has a leading position among the power and energy exchanges.

The number of net sellers on the Power Spot Market, i.e. of those trading participants who sell more than they buy, is particularly revealing. On an annual average there were already more than 40 net sellers – more than one half of which come from other European countries – in the year 2007. This certainly proves that the development of the European power market has progressed far further than is frequently assumed. →

With regard to the Derivatives Market, the fact that the average share of the five trading participants with the highest sales in trading (buy and sell side) regularly amounts to less than 12 percent per trading participant is notable. →

➤ **Details on market making**

The publication of details regarding market making on the website of EEX forms another element towards more transparency. Market makers are defined as those trading participants making sure that they are available as trading partners at all times and safeguarding a basic liquidity by means of this. EEX reports the following: the products with regard to which the market makers have entered into obligations to quote and the obligations to quote as such. These are defined as the conditions regarding time, quantity and price at which the market makers have to place binding buy and sell orders.

The share of the market makers in the total turnover on the Power Derivatives Market has been published on the website of EEX since November 2007. More than 80 percent of the volume was still traded among the market makers in mid-2003, this share is frequently considerably lower than 20 percent today. →

In addition to the information regarding market makers, the presence of so-called fast market situations is also reported on the EEX Ticker. Such a situation is deemed to exist if the prices change very quickly and with high fluctuations within a short period of time. While the presence of a fast market situation has only been announced via the trading system so far, it is now made accessible to the general public.

➤ **Spot Market: Own information of the exchange**

Information	Time frame	Publication
Intra-day Power Trading - Prices and volumes per hour	for the same delivery day	Publication after the end of trading in the download centre
Phelix Base/Peak incl. prices and volumes per hour	for the next delivery day	Accessible via the trading system right away; additional publication on the website of EEX and in the download centre 50 minutes after the auction
Phelix Base/Peak prices	for the next delivery day	Approx. two minutes after the determination of the price on the website of EEX in the EEX Ticker
Swissix Base/Peak incl. prices and volumes per hour	for the next delivery day	Accessible via the trading system right away; additional publication on the EEX website and in the download centre 50 minutes after the auction
Aggregated bid curves of the hourly auctions on power (FTP server)	for the next delivery day	Publication at 9:00 a.m. of every exchange trading day for the previous trading day
Continuous block trading regarding power – prices and volumes	for the next delivery day	Up-to-date publication (t + 15 min.) on the website; additional publication in the download centre after the end of trading
Carbix CO ₂ auction price and volumes	for the same trading day (delivery t + 2)	Publication on the website of EEX immediately after pricing
CO ₂ continuous trading – prices and volumes, settlement price	for the same trading day (delivery t + 2)	Up-to-date publication on the website of EEX; additional publication in the download centre after the end of trading
Cogeneration index	for the preceding quarter	Publication on the website of EEX, immediately after the end of the quarter
N E W I N 2 0 0 7		
Gas prices for the EGT/BEB market areas including volumes	for the next and the next-but-one delivery day	Up-to-date (t + 15) publication on the website of EEX and in the download centre after the end of trading
Number of active trading participants per delivery day across all TSO zones of EEX for the German/Austrian market area	view on a weekly, monthly, quarterly and yearly basis	Publication on the website of EEX at 9:00 a.m. on the following delivery day
Number of sellers per delivery day across all TSO zones of EEX for the German/Austrian market area	view on a weekly, monthly, quarterly and yearly basis	Publication on the website of EEX at 9:00 a.m. on the following delivery day
Number of buyers per delivery day across all TSO zones of EEX for the German/Austrian market area	view on a weekly, monthly, quarterly and yearly basis	Publication on the website of EEX at 9:00 a.m. on the following delivery day
Number of net sellers per delivery day across all TSO zones of EEX for the German/Austrian market area	view on a weekly, monthly, quarterly and yearly basis	Publication on the website of EEX at 9:00 a.m. on the following delivery day
Number of net buyers per delivery day across all TSO zones of EEX for the German/Austrian market area	view on a weekly, monthly, quarterly and yearly basis	Publication on the website of EEX at 9:00 a.m. on the following delivery day
Average share of the five trading participants with the highest sales in trading (buy and sell side) per trading participant	view on a weekly, monthly, quarterly and yearly basis	Publication on the website of EEX at 9:00 a.m. on the following delivery day

➤ **Derivatives Market: Own information of the exchange**

Information	Time frame	Publication
Open order book	during the trading hours	Immediately
Prices and volumes of products on the Derivatives Market (current trading data) and OTC prices and volumes	during the trading hours	Up-to-date (t + 15 min.) on the EEX website, immediately in the trading system
Data on a daily basis, for all contracts (volume traded, number of contracts traded, price upon opening of the market, highest price, lowest price, last price, settlement price, open interest)	for the day	After the end of the trading day
N E W I N 2 0 0 7		
Number of active trading participants (EEX and OTC) on the basis of the trades per day across all Phelix Futures contracts	view on a weekly, monthly, quarterly and yearly basis	Publication on the website of EEX at 9:00 a.m. on the following delivery day
Average share of the five trading participants with the highest sale in trading (buy and sell side) per trading participant across all trades in Phelix Futures contracts on a monthly basis (EEX)	for the last year	Publication on the website of EEX at 9:00 a.m. on the first exchange trading day for the past month
Average share of the five trading participants with the highest sale in trading (buy and sell side) per trading participant across all trades in Phelix Futures contracts on a monthly basis (EEX/OTC)	for the last year	Publication on the website of EEX at 9:00 a.m. on the first exchange trading day for the past month
Presentation of the market maker's share in total sales on the Power Derivatives Market	for the last year	Publication on the website of EEX at 9:00 a.m. on the first exchange trading day for the past month

➤ **General information and services**

Information	
Market maker information: Directions for publication and current publications	
Information regarding fast market situations	
Market concept	
Clearing concept	
Margining concept	
Trading participants (provided they have agreed to the publication)	
Clearing banks	
Brokers with contact data	
Members of the exchange council	
Members of the supervisory board	
N E W I N 2 0 0 7	
Re-launch of the entire EEX website with improved structure and user friendliness	
Launch of MyEEX: Possibility of customising the starting page	
Launch of the Info Product Shop: Automation of registration, change, invoicing and payment of the information products	
Introduction of RSS Feeds with market data, changes in the download area as well as customer information and press releases	
New media: Podcasts of press conferences	

EEX continuously optimises the range of information offered on its website. The year 2007 was a special one because EEX completely revised its website. In the framework of this revision, the online appearance of EEX was made even more user-friendly. Customers can now have fast and convenient access to customer information documents and press releases, in particular.

The introduction of MyEEX permits the individual composition of the website starting page in accordance with the user's wishes. In January 2008, more than 1,700 users have already implemented this.

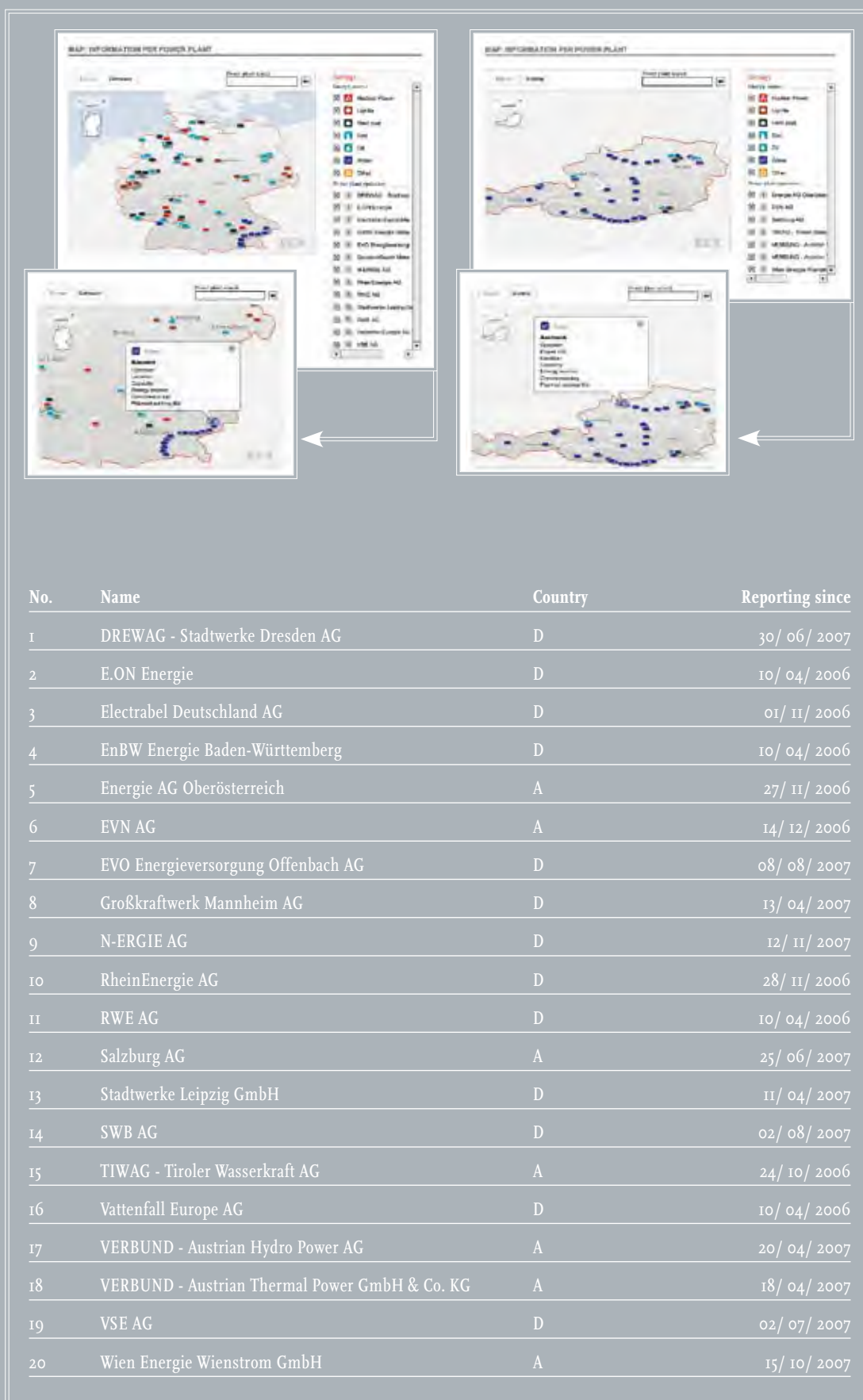
The conversion to an automated Info Product Shop has facilitated the registration for information products as well as their payment even more. With the help of RSS Feeds the trading participant can obtain individual and free information on changes in the data on the website in real time.

New forms of presentation have been introduced on the website. EEX now makes important press conferences available as podcasts. In this way, trading participants, journalists and the interested public can experience the current developments on the exchange "live" and repeat these at any time.

Transparency also means that EEX lists all of its trading participants which agree to such a publication on its website. The range of information offered is supplemented by the list of the shareholders and the illustration of the corporate structure.

The trading data is available for downloading on an FTP server. In addition to this, current information on the development of prices is provided in tables, charts and analyses. Trading data can also be provided in the form of an SMS message on every exchange trading day.

→ Reporting Companies



No.	Name	Country	Reporting since
1	DREWAG - Stadtwerke Dresden AG	D	30/ 06/ 2007
2	E.ON Energie	D	10/ 04/ 2006
3	Electrabel Deutschland AG	D	01/ 11/ 2006
4	EnBW Energie Baden-Württemberg	D	10/ 04/ 2006
5	Energie AG Oberösterreich	A	27/ 11/ 2006
6	EVN AG	A	14/ 12/ 2006
7	EVO Energieversorgung Offenbach AG	D	08/ 08/ 2007
8	Großkraftwerk Mannheim AG	D	13/ 04/ 2007
9	N-ERGIE AG	D	12/ 11/ 2007
10	RheinEnergie AG	D	28/ 11/ 2006
11	RWE AG	D	10/ 04/ 2006
12	Salzburg AG	A	25/ 06/ 2007
13	Stadtwerke Leipzig GmbH	D	11/ 04/ 2007
14	SWB AG	D	02/ 08/ 2007
15	TIWAG - Tiroler Wasserkraft AG	A	24/ 10/ 2006
16	Vattenfall Europe AG	D	10/ 04/ 2006
17	VERBUND - Austrian Hydro Power AG	A	20/ 04/ 2007
18	VERBUND - Austrian Thermal Power GmbH & Co. KG	A	18/ 04/ 2007
19	VSE AG	D	02/ 07/ 2007
20	Wien Energie Wienstrom GmbH	A	15/ 10/ 2007

➤ Power Plant Data

Since April 2006, information on power plants has been published in a centralised, neutral and bundled manner free of charge on the website of EEX. This practice of publishing information contributes to an equal and fair basis of information for the interested public, also beyond the trading participants themselves, making it a further foundation stone for a transparent market. To date, 20 companies from Germany and Austria have joined the initiative, in which the generating companies of EnBW (Energie Baden-Württemberg), E.ON Energie AG, RWE AG and Vattenfall Europe AG were involved initially. The publication is based on a voluntary commitment of the generating companies. The EEX platform is the site of the publication which is generally recognised by the market.

The power plant data is reported to EEX by 9:00 a.m. on every exchange trading day. On the site of the exchange, data is aggregated and shown per energy carrier in the categories installed capacity, available capacity and net production.



EEX publishes standard messages via a newsboard at 10:00 a.m. on every exchange trading day. On the one hand, these messages refer to technical problems in the communication of data regarding the available capacity and the net production. On the other hand, expected restrictions not caused by plant technology problems, such as restrictions on account of cooling water limitations, stretch-out operation or orders by authorities regarding generation are reported. The reports are published by EEX in a manner aggregated as per cause of the change and per energy carrier. They are published anonymously.

The installed capacity, which is the net electric output of the power plants, is not only communicated in an aggregated manner but also per power plant site. The user has the possibility of having the sites displayed sorted according to energy carrier or operator. →

The EEX transparency initiative on the German-Austrian power market is a success. In the future, the basis for this will have to be expanded and further power plant operators acquired for the publication of their data. So-called consumers, i.e. large industrial companies which have a high power consumption and operate power plants themselves, are particularly invited to take part in this.

In addition to this, the range of data offered has to be expanded and the quality of the data has to be improved. The Congestion Management Guidelines enacted by the EU specify the right framework with regard to this. For example, it is conceivable as well as desirable that transmission system data might also be published on the website of EEX in the near future in addition to an improved range of power plant data.

➤ **Building confidence: a continuous process**

Ten years after the start of liberalisation on the European power market, the criticism that the desired competition has not been brought about is still voiced occasionally. Some people see the cause for this in intransparent market structures, which lead to an imbalance in information between trading participants. EEX takes this criticism and the latent mistrust associated with it very seriously – regardless of whether these aspects concern the exchange directly or only indirectly. The exchange can only offer a precondition for fair competition through the publication of prices and volumes traded as well as of further market-specific and price-relevant information. Moreover, it successfully advocates increased transparency in the fields of production and grids. Hence, confidence building is a continuous process at EEX.



➤ Report by the Market Surveillance

The year 2007 was a year of development – both for the exchange and its products and for the Market Surveillance of EEX (HÜSt) itself.

In 2007, EEX continued to expand its product range: Since July 2007, it has been possible to trade H-gas in the BEB market area on the Spot Market of EEX. In October 2007, spot trading in the E.ON Gastransport (EGT) market area and derivatives trading in both areas followed suit. By means of the spin-off of the Power Spot Market into an independent company EEX has managed to set a clear signal showing that it is actively looking for co-operations with other ex-

changes and market platforms. Since December 2007, EEX has co-operated with the Frankfurt-based derivatives exchange Eurex in the field of trading in emission allowances. In the framework of this co-operation, EEX enables Eurex trading participants to access trading on EEX in the Carbon Futures co-operation products and, later on, futures on Certified Emission Reductions as well as options on Carbon Futures.

HÜSt has included the new products, partners, companies and trading participants in its daily examination activities and, hence, ensures competent monitoring of the correctness of exchange trading and of the settlement of exchange trades.

The expansion of the supervision activities in terms of quality and quantity necessitated measures both in the field of infrastructure and in human resources. In 2008 HÜSt will completely renew its monitoring systems in order to be prepared for the future challenges. The conceptual pre-conditions and the budget have already been approved by the governing bodies of the exchange this year.

In the course of 2007, HÜSt was able to create 2.5 additional jobs and now has three employees in addition to the head of the department. In an international comparison of energy exchanges, EEX has the independent market surveillance authority with the biggest staff – an institution which is not provided for on many exchanges and market platforms for energy or does not exist on these. The staffing for the newly created positions was consciously selected from various fields: There is another lawyer, a business administrator and a graduate in business mathematics.

This means that HÜSt can use diverse professional skills and experience as well as capabilities and examine occurring problems comprehensively and in a professionally competent manner.

Moreover, HÜSt has also taken decisive steps and initiated further steps in the field of the perception by the public. By now, the report by the Market Surveillance has become a fixed item on the agenda for the meetings of the exchange council. On this occasion the Head of the Market Surveillance reports on the results and aims of his work and takes up suggestions by the participants represented there. Another item which is relevant for the public is the new design of the internet appearance of HÜSt on the website of EEX. Since the redesign of the online presence, the number of inquiries submitted to the Market Surveillance has increased continuously.

Compared with the previous year, the number of special investigations necessitated by a specific cause doubled during the year 2007. The cause and the reasons for these examinations were diverse in nature: They comprised suspicious facts in daily monitoring and tips by trading participants as well as reporting in the media. For example, one television programme alleged that foreign financial institutes influenced the EEX Derivatives Market in a targeted manner. HÜSt used this programme as an occasion to carry out a comprehensive special examination of the conduct of foreign financial service providers on the market. HÜSt then submitted the analysis prepared to the exchange supervisory authority, the Saxon State Ministry for Economic Affairs and Labour (SMWA), and to the German Federal Financial Supervisory Authority (BaFin). The questions raised will be analysed and answered comprehensively in the framework of this co-operation.

Several special investigations focused on increased prices on the Spot Market in individual calendar weeks. HÜSt did not find any evidence of violations of laws or exchange rules. Instead, it appears that external factors such as the weather or power plant failures constituted the cause for these price developments.

In connection with the public political debate regarding the amount of the power prices for the consumers and its possible causes HÜSt has carried out several investigations focusing on the different aspects of trading in power on EEX. In the year 2007, the special focus was on the shareholding structure of the major German and European corporations and the trading behaviour within corporate groups. The data and findings obtained here will be integrated into the development of the new monitoring systems.

The co-operation between HÜSt and foreign supervisory authorities intensified in 2007. Licensing of the first US trading participant on the Derivatives Market of EEX required comprehensive notification by HÜSt towards the American Commodity Futures Trading Commission

(CFTC,) as well as an extension of the CFTC licence for EEX (a so-called no-action-relief). In addition to the reports to the Autoriteit Financiële Markten (Netherlands) and the Swiss Federal Banking Commission, we now also inform the CFTC of trading on the EEX Derivatives Market and of the volumes generated by US American trading participants on a quarterly basis. An application also had to be submitted to CFTC with regard to the product-specific co-operation with Eurex. In this process, value was placed in particular on the description of the co-operation, the design of the licensing process as well as the explanations regarding clearing. In both of these processes, the CFTC extended the scope of the no-action-relief without further inquiries into the quality of monitoring of the exchange processes.

The Market Surveillance looks back on a successful year 2007. The coming year will comprise further challenges. In this context, the focus will be on the implementation of the planned infrastructure measures and the further strengthening of the trust which the public places in us.



Dr. Wolfgang von Rintelen
Head of Market Surveillance

➤ **European Energy Exchange AG, Leipzig, Consolidated Annual Report 2007**

During the financial year 2007, EEX has consistently continued the strategy towards Europeanisation which was begun by EEX during the previous year with the aim of increased flexibility, market coverage and trading volumes and focussing on the spin-off of business divisions and the establishment of partnerships.

Against this backdrop, the spin-off of the Power Spot Market into an independent subsidiary, EEX Power Spot GmbH, constitutes an essential milestone. It constitutes the basis of a large pan-European energy exchange, which will be established through the integration of the Power Spot Market of EEX for the market areas of Germany, Switzerland and Austria and of the French power exchange Powernext into a new Societas Europaea (SE) to be established with registered offices in Paris as a first step. EEX and Powernext each hold 50 percent of the shares in this SE to which EEX AG will contribute its 100 percent shareholding in EEX Power Spot GmbH, while Powernext S.A. will directly contribute the French spot market business division.

In addition to this, the co-operation with the French Powernext S.A., which was approved by the supervisory board of EEX AG on 11 December 2007, also comprises the co-operation between EEX and Powernext on the Power Derivatives Market through a derivatives exchange company based in Leipzig. All products of the co-operation partners will be settled through the clearing house of EEX Group, European Commodity Clearing AG (ECC). The co-operation model agreed on is expressly defined as open for further partnerships with regard to which other European energy exchanges have already indicated interest.

The product co-operation launched in December 2007 on the European Spot and Derivatives Market for EU Emission Allowances with Eurex Frankfurt AG, one of the leading derivatives exchanges worldwide, constitutes a further element of the EEX co-operation strategy. This product co-operation aims to strengthen the presence of EEX on the London financial market, acquire Eurex trading participants to strengthen the Derivatives Market and create a leading market for emission allowances. Moreover, the co-operation also comprises the co-operation between the clearing houses ECC AG and Eurex Clearing AG in the settlement of all transactions in order to provide efficient and flexible clearing to the trading participants in the framework of existing clearing relationships, by optimising the margins furnished as well as risk management across different product groups at the same time.

Within the framework of the co-operation with the Dutch European Energy Derivatives Exchange N. V. (ENDEX), which has existed since 2006, one important product segment was taken over in June 2007: EEX began clearing Dutch Power Futures, the ENDEX product with the highest

volume, and, hence, became the clearing house of all transactions concluded on ENDEX in Dutch Power Futures, Belgian Power Futures as well as TTF Gas Futures. This was accompanied by the assumption of all open positions in Dutch Power Futures from the current ENDEX clearing service provider – LCH.Clearnet Ltd. in London with an open interest of approx. 27TWh with a value of approx. € 1.6 billion. In the course of this takeover project, 25 trading participants of ENDEX were recognised as trading participants in the Dutch Power Futures product.

In April 2007 ENDEX already acquired an initial share in ECC AG to the amount of one share and exercised its right of nomination for one member of the supervisory board of ECC AG in line with the existing co-operation agreement.

On 2 July 2007, exchange trading in natural gas was launched on EEX with the aim of establishing gas trading as a further pillar of business in addition to trading in power and emission allowances. On this day, spot trading for the BEB market area and derivatives trading for the BEB and E.ON Gastransport market areas were launched at the same time. After the merger of the E.ON H-gas market areas north, centre and south spot trading for this large market area was launched at the beginning of October. Together, both market areas cover approx. 60 percent of the entire H-gas market volume in Germany.

During the past financial year, EEX was actively involved in various initiatives for efficient coupling of the European power markets. For example, in the project regarding market coupling between Germany and Denmark the decision was taken to launch day-ahead capacity auctions on the border between the German and Danish grid during the second half of the year 2008



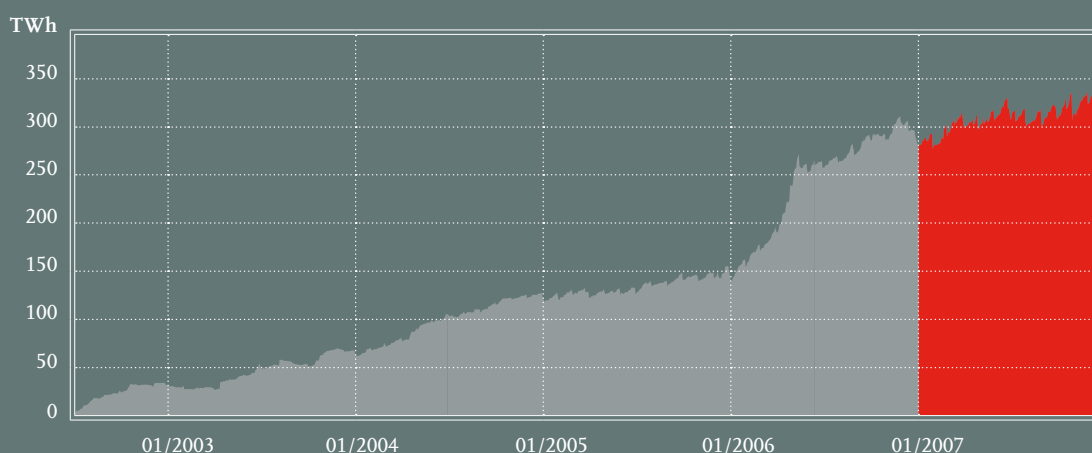
together with the other project partners E.ON Netz GmbH, Energinet.dk, Vattenfall Europe Transmission GmbH and Nord Pool Spot AS. In the framework of the transparency initiative, which had already been launched in 2006, further participants could be acquired in 2007. In addition to this, the information regarding power plant capacities on the website of EEX was expanded continuously and has been supplemented with additional information on the market makers' share in the trading volume as well as the number of active trading participants and the share of the five trading participants with the highest sales in trading since November 2007.

➤ **Development of the number of trading participants**

At the end of year 2007, 137 trading participants were licensed for EEX Spot Markets, which comprise the Spot Markets for Gas and CO₂ remaining with EEX after the spin-off of the Power Spot Market, and 108 trading participants were licensed on the EEX Derivatives Markets. Among the new trading participants licensed on the Derivatives Market in 2007 general clearers of Eurex accounted for 8 trading participants trading EEX emission products in the framework of the product co-operation with Eurex. As of the balance sheet date of 31 December 2007, EEX Power Spot Markets, which comprises the Power Spot Market within EEX Power Spot GmbH, had a total of 147 trading participants.

The withdrawals of a total of 13 trading participants during the past financial year were largely caused by restructuring measures in the trading participants' trading activities, which were more than compensated by the licensing of 46 new companies. This means that the total number of trading participants has increased from 158 to 191 from 20 countries during the year – which corresponds to an increase of more than 20 percent.

Development of the open interest on the Power Derivatives Market



In the year 2008, several new trading participants are in the licensing process or have already been licensed. The high interest in training courses regarding trading on the Spot and Derivatives Market raises the expectation of further increasing numbers of trading participants in the future.

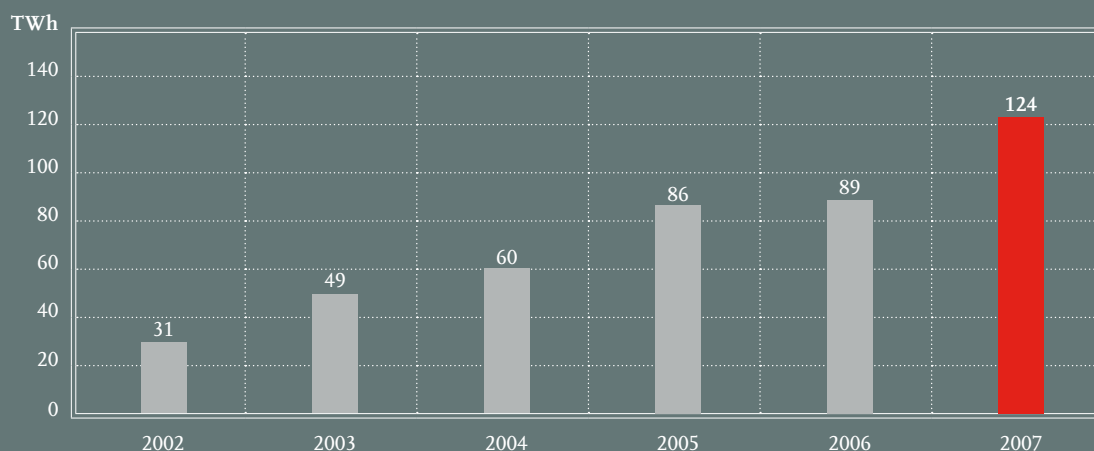
➤ **High confidence in EEX as an exchange market**

The open interest on the Power Derivatives Market, i.e. the total of the open positions on the Derivatives Markets, constitutes an essential indicator for the market participants' confidence in EEX and its clearing subsidiary ECC AG. On the last day of trading in the last trading year it amounted to 271 TWh and, hence, remained almost unchanged compared with the previous year (2006: 278 TWh as of the last trading day as the cut-off date). However, in the course of the year peak values of more than 330 TWh were reached. The unchanged high level of the open interest testifies to the enormous confidence which the trading participants have in EEX as a trading market and the security of the settlement processes via the clearing house ECC. For this reason, EEX AG expects a continuously positive development on the Derivatives Market which is to be promoted further by the planned spin-off of the Power Derivatives Market into an independent subsidiary and by entering into strategic co-operation.

➤ **Development of sales**

The trading volume of the Power Spot Market, which was spun off into the independent subsidiary EEX Power Spot GmbH retroactively as of 1 January 2007, increased by 39 % to 124 TWh (2006: 89 TWh) during the year under review. In this context, auction trading for the market areas of Germany and Austria accounted for a total of 117 TWh, which corresponds to a share of approx.

Spot Market volume for power increased further

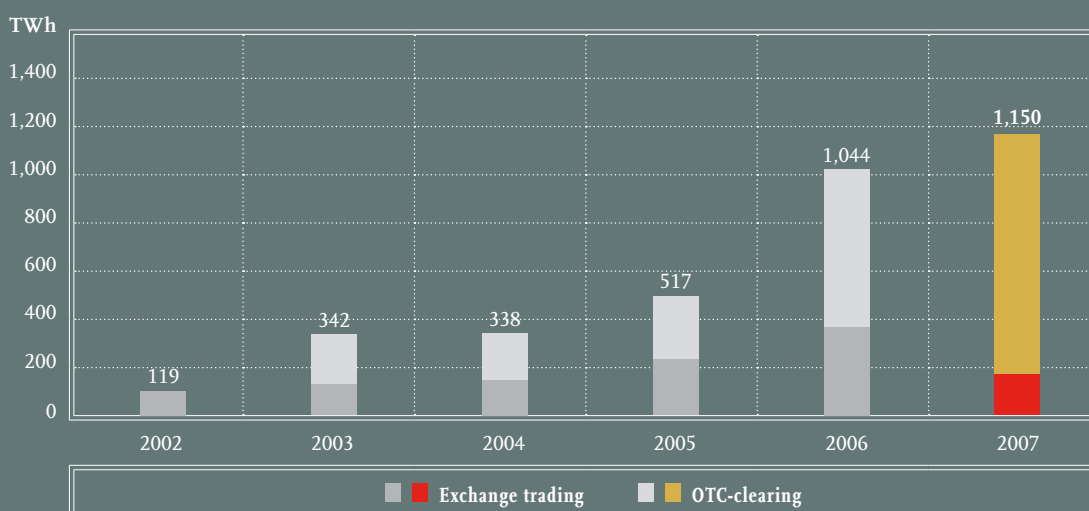


19% in the total consumption of these countries. As a result, a volume increase of 33% (2006: 88 TWh) was recorded, originating both from classic optimisation trading and from increased volumes of physical delivery of Derivatives Market contracts. During the financial year 2007, intraday trading contributed a total of 1.4 TWh (2006: 0.03 TWh since the launch in September 2006) to the Spot Market volume and, hence, fell slightly behind expectations.

In December 2006, auction trading was expanded to include the Swiss market area. At 4.3 TWh the volume traded in this market area clearly exceeded expectations. During the first financial year the share in the total consumption in Switzerland amounted to approx. 7%. Compared with the market areas of Germany/Austria, which have existed for several years, this has shown that auction trading for Switzerland has developed very positively, since such a share in the total consumption was only achieved during the third year after the introduction of the market for the market areas Germany/Austria.

During the financial year 2007 the trading volume on the Power Spot Derivatives Market increased by 10% to 1,150 TWh up from 1,044 TWh during the year 2006. In this context, the strong shift of the volumes from exchange trading (189 TWh, 2006: 389 TWh, -51%) towards OTC clearing (961 TWh, 2006: 656 TWh, +46%) which had to be observed had a negative impact on revenue. In the segment of OTC clearing the share of options (38 TWh, 2006: 17 TWh, +124%) developed positively. The physical Power Derivatives Market Products of German Power Futures (1.0 TWh, 2006: 0.7 TWh) and French Power Futures (0 TWh, 2006: 2.0 TWh) were hardly traded once again during the financial year 2007. During the financial year 2007, the overall revenue on the Power Derivatives Market amounted to € 26.2 million, which corresponds to a decline of 7%

Increase in the volume of the Derivatives Market for Power – high OTC share



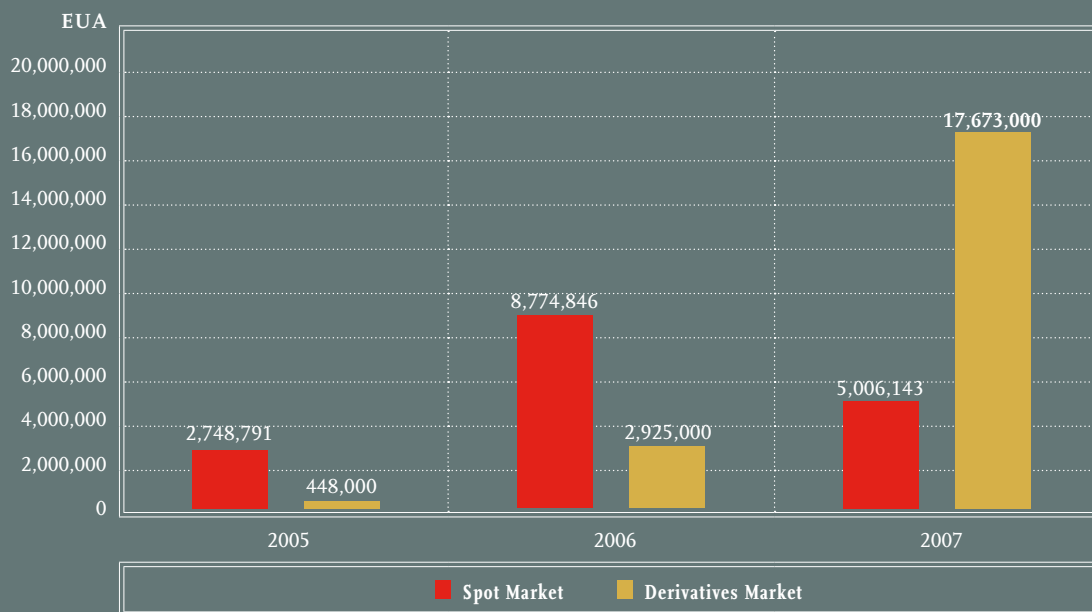
compared to the previous year (2006: € 28.2 million). This means that the high expectations with regard to the development of the business have not been fulfilled.

During the year under review 5.0 million tonnes were traded and revenue to the amount of K€ 127 was generated on the CO₂ Spot Market, which corresponds to a decline by 43% and 51% respectively compared with the previous year (2006: 8.8 million tonnes, K€ 258 revenue). This is due to the collapse of the price in the market segment at the end of the first trading period.

The efforts made to rejuvenate trading on the CO₂ Derivatives Market in 2007 produced the first results. With a total of 17.7 million tonnes, the trading volume of 2.9 million tonnes which had been generated during the previous year was increased more than five times. In total, revenue to the amount of K€ 102 was achieved in this market during the financial year 2007. This trend is to be continued through the product co-operation between EEX AG and Eurex Frankfurt AG launched in December 2007. Moreover, a considerable increase in sales is expected for the CO₂ market during the 2nd quarter of 2008 on account of the new trading period in the framework of the European emission trading system EU-ETS.

During the financial year 2007 resources could not be made available for the planned measures to develop the Derivatives Market for Coal, which had been launched in 2006. As a result of this, there was only little activity on this market, which is reflected in a trading volume of just 246,000 tonnes.

**Positive development on the CO₂ Derivatives Market –
CO₂ Spot Market weak on account of the collapse of prices**



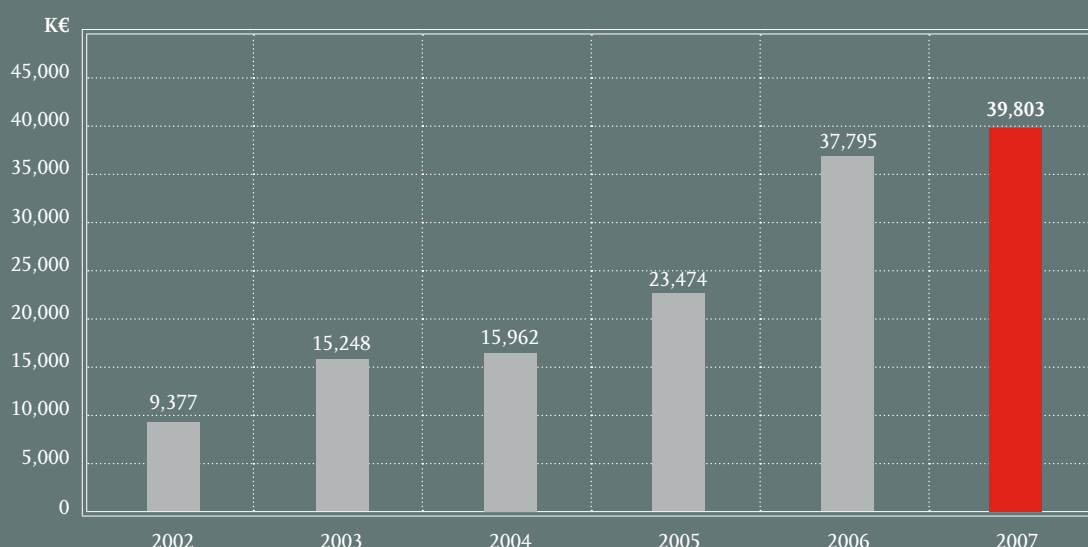
Clearing and settlement for all trading volumes on the Spot and Derivatives Markets of EEX are provided by the group's own clearing house – ECC AG. In addition to this, ECC AG generates revenue from clearing services for the Dutch energy derivatives exchange ENDEX. During the past financial year a total of 46.0 TWh of Dutch Power Futures (as of June 2007), 4.0 TWh of Belgian Power Futures (as of March 2007) and of 21.1 TWh TTF Gas Futures (2006: 2.6 TWh since the launch in October) were cleared for this exchange. All in all, the co-operation with ENDEX produced sales revenue to the amount of K€ 944.

During the financial year 2007, the product of power and the Power Derivatives Market in particular proved to be the main revenue stream for the company once again. During the year under review, the return on sales across all products and markets amounted to 33 % (result from ordinary activities: € 13.3 million, sales revenue: € 39.8 million). This means that compared with the previous year the return on sales has increased by almost 10 percentage points (2006: result from ordinary activities: € 9.2 million, sales revenue: € 37.8 million, return on sales: 24 %).

➤ **Asset and earnings situation**

During the financial year 2007, the sales revenue amounted to € 39.8 million, which corresponds to an increase of 5 % compared with the previous year (2006: € 37.8 million). Overall, expectations were not fulfilled in this respect. Essentially, this development has to be attributed to the shift in the volume on the Power Derivatives Market from exchange volumes towards OTC clearing – which entails lower transaction fees on EEX. A package of measures to stimulate derivatives trad-

Sales revenue increased slightly

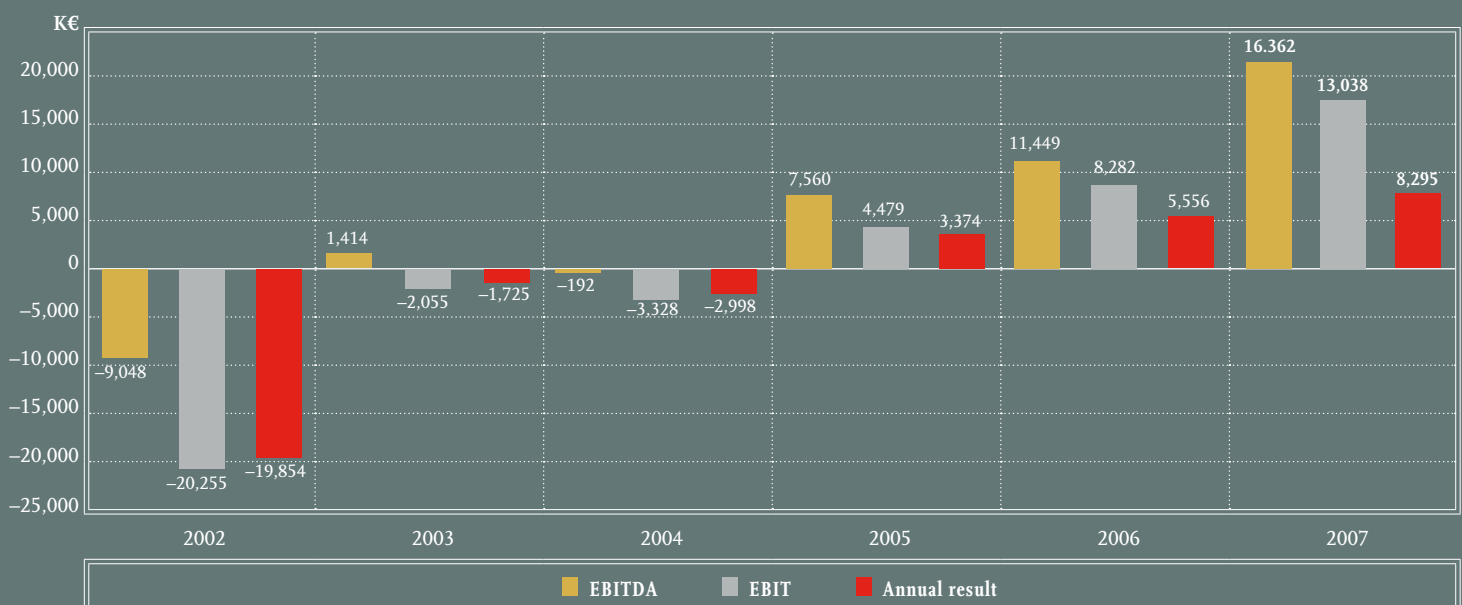


ing on the exchange has now been initiated in order to counteract this trend and reinforce exchange trading on EEX.

At € 13.3 million a result from ordinary activities could be reported for the year under review which has increased by 45 % up from € 9.2 million compared with the result achieved during the previous year and is in line with the budgets. At the same time, the annual net profit increased to € 8.3 million, up from € 5.6 million during the previous year. The positive net income situation was largely due to the fact that the decline in sales revenue on the level of EEX AG was accompanied by disproportionately lower performance related reimbursements to market makers and brokers. This has not only facilitated the compensation of the earnings situation on the Power Derivatives Market but also permitted financing of unplanned expenses in connection with various development projects and co-operation negotiations in the framework of the strategy towards Europeanisation pursued by EEX AG. In addition to this, there were special effects on account of the appreciation of the value of the own shares of EEX AG on the costs of acquisition which led to other operating income to the amount of K€ 653.

During the financial year 2007, equity capital increased from € 34.4 million to € 42.7 million. The balance sheet total amounts to € 218.3 million. This comprises payments on account made or received to the amount of € 51.6 million to be included in the balance sheet on account of the balance sheet date. Moreover, cash collateral to the amount of € 92.7 million furnished is reported under cash in hand or under other liabilities. After deducting these items, the equity ratio at the end of the financial year amounts to 58 percent (2006: 80 %).

Results clearly in the profit zone



The positive financial and earnings situation was also reflected in the liquid funds. The group can cover all of its expenses with its revenue and generating clear profits.

➤ **Growth in human resources**

The financial year 2007 was characterised by strong growth in human resources since EEX AG had reached its limits regarding staffing during the previous years. As of the balance sheet date, there was a total of 57 employees compared with 37 employees as of 31 December 2006. As of 31 December 2007 the age structure of the employees looked as follows:

Age group	Number	Share in percent
< 30	18	31
30 to 39	29	51
40 to 49	9	16
> 50	1	2
	57	100

The group has a share of university graduates of 79 percent. This is established on the basis of the number of employees with a degree from a university, technical university or a university of cooperative education. As of the balance sheet date, women accounted for 42 percent of the staff.

➤ **Risk management**

In accordance with the requirements contained in art. 91 paragraph 2 AktG [German Stock Corporation Act], the group has a risk early warning system comprising all business areas. Potential risks are evaluated with regard to the likelihood of their occurrence and the possible extent of damage and, afterwards, they are divided into risk classes. On the basis of the current status of the early warning indicators the management board of the group prepares a monthly risk report and informs the supervisory board of the risk situation every quarter. The risks on the exchange but also in the clearing house resulting from the fluctuating energy markets are evaluated by the risk managers of EEX several times in the course of a day and risk situations are reported to the management board forthwith.

➤ **Indications regarding essential opportunities and risks in the future development**

The consolidation of the European energy exchanges and clearing houses, which had been expected for some time, has emerged in particular since the second half of the year 2007. In this context, the competition focuses on the core market of EEX – the German Power Derivatives Market. In January 2008, two Scandinavian competitors offered power futures with the EEX Phe-lix as the underlying for the first time. In addition to this, the increased interest by American investors and exchange operators on the European energy market is obvious. During the past financial year, they pushed onto the market through mergers and joint ventures and, in doing so, they

have a tremendously strong financial background. As a result of this, EEX AG will face intensive competition once again over the coming years.

During the past years and during the financial year 2007 in particular, EEX AG has created the necessary preconditions in order not only to succeed in the competition but to actively shape the further development of the European energy market. In this connection, the most important element is the successful implementation of the planned co-operation with Powernext S.A., which will constitute the core of a future, pan-European spot exchange for power with the establishment of the joint subsidiary under the European form of organisation. In addition to this, the merger between the German and French power derivatives markets within EEX Derivatives Markets GmbH constitutes a further element for the creation of a pan-European derivatives exchange for energy and related products giving trading participants the possibility of using comprehensive cross-margining effects in clearing.

In this process, the partners' strategy is clearly aligned to co-operative ventures. Negotiations with potential further partners are already under way. A letter of intent regarding the participation in the spot market co-operation within the SE has now been signed with the Belgian Belpex SA. In this context, the takeover of clearing by the group's own clearing house ECC AG constitutes an essential basis for all co-operation negotiations. In this way, EEX AG will increasingly evolve into a holding company for energy exchanges, single-purpose energy trading companies and the clearing house.

However, the current competition situation also constitutes the biggest risk for the commercial development and the continued existence of EEX AG. A failure of the planned co-operation projects will deprive EEX AG of the possibility of helping to shape future developments in the long run, so that the company could fall behind in the ongoing consolidation process.

The operating results achieved by EEX AG show that the company is commercially sound and operates successfully. As regards products, however, the existing strong dependence on the product of power has to be reduced and the markets for emission allowances and natural gas have to be established as further strategic pillars in the medium term. The still very new co-operation with Eurex Frankfurt AG, in particular, in the framework of which the launch of new products for the increasingly global emission trading markets is e.g. planned, is intended to make a contribution to this. The expansion of the new product segments on the European gas market will also be continued further over the coming years.

The high monitoring standard of the energy exchange of EEX AG, which is implemented on the basis of statutory obligations and voluntary commitments, constitutes a stamp of quality and will

form the benchmark for the design and further development of market surveillance and data transparency in the co-operation companies in all co-operations. In order to take this fact and the increased requirements by the market into account, the resources of the EEX Market Surveillance were increased considerably both in terms of technology and human resources. It now has an interdisciplinary team consisting of lawyers, economists and IT experts. During the financial year 2008, the focus will essentially be on the technological development of the monitoring systems used.

Further external factors, such as the clear trends towards the exertion of political influence on the energy sector, which were discerned yet again in 2007 (e.g. initiatives for the revision of the anti-trust legislation), can have a considerable impact on the commercial future of EEX AG. However, international accounting rules or taxation legislation can also impair the development of the market and are, hence, monitored constantly.

► **Group perspective**

Under consideration of a new pricing structure of the Power Derivatives Market – the most important EEX market – the group expects overall sales revenue to be at the level of the year 2007 for the following financial year. However, this sales revenue will be accompanied by a significant increase in the volumes not only on the Power Derivatives Market but also on the new markets for gas as well as in the field of trading in emission allowances.

Under consideration of the increased expenses for a number of planned projects in connection with the co-operation negotiations, the modernisation of the IT infrastructure and further development of the product range, EEX Group expects a result before taxes to the amount of € 13.5 million for the year 2008.

Leipzig, 4 March 2008



Dr. Hans-Bernd Menzel
CEO



Maik Neubauer
COO

➤ European Energy Exchange AG, Leipzig, Consolidated Balance Sheet as of 31 December 2007

Assets in €	31 Dec. 2007	31 Dec. 2006
Fixed assets		
Intangible assets	12,036,951.74	14,872,698.00
Licences, industrial property rights and similar rights and assets as well as Licences regarding such rights and assets	205,039.00	82,742.00
Value of business as a going concern or goodwill	11,831,912.74	14,789,956.00
Tangible assets		
Other assets, equipment and fittings	479,723.00	504,884.00
	12,516,674.74	15,377,582.00
Current assets		
Payments on account	51,592,183.46	994,953.00
Accounts receivable and other assets (all with a residual time to maturity of up to one year)	47,151,261.54	23,911,321.96
Trade accounts receivable	2,710,749.31	12,690,373.09
Other assets	44,440,512.23	11,220,948.87
Own shares	2,413,929.36	1,760,575.60
Cash and due from banks	104,533,998.70	51,696,495.19
	205,691,373.06	78,363,345.75
Accruals	111,810.85	73,401.41
	218,319,858.65	93,814,329.16

Trust assets	76,560.44	21,393,950.60
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Liabilities in €	31 Dec. 2007	31 Dec. 2006
Capital and reserves		
Subscribed capital	40,050,000.00	40,050,000.00
Capital reserve	10,000,000.00	10,000,000.00
Retained income	4,413,915.36	2,760,575.60
Reserve for own shares	2,413,929.36	1,760,575.60
Other retained income	1,999,986.00	1,000,000.00
Balance sheet loss	-11,765,654.34	-18,407,358.13
Adjustment item from other shareholders	16.54	0.00
	42,698,277.56	34,403,217.47
Provisions for liabilities and charges		
Provisions for pensions and similar liabilities	25,118.00	21,367.00
Provision for taxes	2,039,992.08	2,260,000.00
Other reserves	3,518,929.81	3,128,461.19
	5,584,039.89	5,409,828.19
Accounts payable (all with a remaining term until maturity of up to one year)		
Due to banks	22,416,096.41	566,892.68
Payments received on account of orders	51,592,183.54	994,953.00
Trade accounts payable	2,744,543.31	13,875,121.08
Other liabilities (of which from taxes: € 39,530.75) (of which in the framework of social security: € 1,748.69)	93,284,717.94	38,524,316.74
	170,037,541.20	53,961,283.50
Accruals and deferred income	0.00	40,000.00
	218,319,858.65	93,814,329.16

Trust liabilities	76,560.44	21,393,950.60
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➤ Consolidated Profit and Loss Account for the Period from 1 January until 31 December 2007

in €	2007	2006
Sales revenue	39,803,350.85	37,795,223.13
Other operating income	6,176,076.42	3,714,224.54
Staff expenditure	4,596,215.63	3,334,200.59
Wages and salaries	3,906,168.61	
Social security contributions and expenses for pensions and for support (of which for old-age pensions: € 138,828.46; previous year: € 70,511.03)	690,047.02	
Depreciation on intangible and tangible assets	3,323,921.45	3,166,686.61
Other operating expenses	25,017,992.81	26,131,798.49
Other interest and similar revenue	1,424,636.79	346,973.56
Interest and similar expenses	1,145,545.59	25,186.29
Result from ordinary activities	13,320,388.58	9,198,549.25
Non-recurrent expenditure	0.00	594,346.50
Taxes on income and profit	5,022,436.49	3,046,768.87
Other taxes	2,893.00	1,239.00
Profit for the financial year	8,295,059.09	5,556,194.88
Profit/loss attributable to minority interests	1.54	0.00
Appropriation to other retained income	1,000,000.00	1,000,000.00
Appropriation to reserve for own shares	653,353.76	0.00
Loss brought forward	-18,407,358.13	-22,963,553.01
Balance sheet loss	-11,765,654.34	-18,407,358.13

➤ European Energy Exchange AG, Leipzig – Notes on the Consolidated Accounts 2007

1. General principles

The consolidated financial statement for the financial year 2007 was prepared in accordance with the provisions of the German Commercial Code (HGB) and the supplementary provisions of the Stock Corporation Act (AktG). Moreover, the information required as per art. 315 HGB was presented in the notes and the consolidated financial statement was extended by a consolidated annual report.

For the presentation of the profit and loss accounts, the total cost type of accounting as per art. 275 paragraph 2 HGB was selected. The development of the individual items of the assets, as per art. 268 paragraph 2 HGB, is shown separately.

2. Scope of consolidation

European Energy Exchange AG, Leipzig was established through the merger of LPX Leipzig Power Exchange GmbH, Leipzig and European Energy Exchange AG, Frankfurt with PVG Vierzehnte Vermögensverwaltung AG, Leipzig on 1 January 2002. In the financial year 2006, the spin-off of the clearing division into a wholly owned subsidiary, European Commodity Clearing AG, was also implemented. In the year 2007, one share was sold to the Dutch energy exchange ENDEX European Energy Derivatives Exchange N.V. This corresponds to a share of 0.0001 per cent. Moreover, the Power Spot Market was attributed to a wholly owned subsidiary during this financial year retroactively, as of 1 January 2007. The company trades under the name of EEX Power Spot GmbH.

As subsidiaries, European Commodity Clearing AG, EEX Power Spot GmbH, EEX Derivatives Markets GmbH and Lilie 28 VV GmbH were fully included in the scope of consolidation.

3. Principles of consolidation

Capital consolidation with regard to the fully consolidated subsidiaries was effected in accordance with the revaluation method. A value of the business as a going concern or goodwill was not established within the framework of the consolidation of capital funds. Sales, expenses and revenue as well as accounts receivable and accounts payable between the companies included were eliminated. Interim results did not arise. Consolidation processes, which have an impact on the results of implementing tax accruals and deferrals did not emerge. In accordance with the commercial code provisions, active latent taxes on tax losses brought forward were not capitalised. The balance sheet date for all the companies included was 31 December 2007.

An adjustment item was established for the third-party minority interest, equal to the amount of the share in the equity of the subsidiaries included.

4. Accounting and valuation principles

The valuation and the preparation of the balance sheet was effected in accordance with the general valuation rules and accounting provisions as specified for public limited companies in the German Commercial Code and under consideration of the supplementary provisions contained in the German Stock Corporation Act. The provision against offsetting of balance sheet items according to art. 246 HGB, was complied with and the going-concern principle was assumed, whilst the valuation principles of the previous years being maintained. Assets and liabilities were also assessed individually. A cautious assessment was made; taking into account all foreseeable risks and losses which arose up to the balance sheet date

5. Fundamental principles of the conversion of foreign currencies

Business transactions in foreign currencies are valued at the exchange rate valid at the time of entry in the accounts. In the valuation base, the lower-of-cost-or-market principle is taken into consideration for accounts receivable and the maximum-value method is taken into account for liabilities.

6. Notes on the accounts

Intangible and tangible assets

The intangible assets and the tangible assets were valued at acquisition costs, less scheduled depreciations. The assets were depreciated in accordance with the average useful life and under consideration of the admissible tax life. The straight-line depreciation method was selected for additions.

Minor assets acquired during the financial year were written off during the year of acquisition, by applying the provisions as per art. 6 paragraph 2 EStG [German Income Tax Code] (see Annex 1 to the Notes).

The merger in 2002 was effected at intermediate values. The goodwill created in this process is depreciated at a constant rate over a useful life of 10 years.

Payments on account

These concern power deliveries resulting from physical futures (K€ 4,164) and settled financially in advance, according to the clearing conditions. Moreover, this item comprised payments for trading turnover from the Power Spot Market to the value of K€ 47,428, within the period of 1 to 3 January 2008.

Accounts receivable and other assets

The valuation of the accounts receivable and other assets was effected at par value. Non-recoverable claims were adjusted individually.

The accounts receivable from the exchange and clearing transactions are assessed as of the delivery day for the Spot Market and as of the trading day for the Derivatives Market.

The other assets primarily comprise the accounts receivable from the tax office with regard to the sales tax advance return for December 2007.

Own shares

As of 31 December 2007, there was a stock of 1,386,280 items, which corresponds to a share of 3.46 per cent in the equity capital. No own shares were sold during the financial year under review.

The valuation expertise as of 31 December 2007 commissioned at an interval of two years by the pool of shareholders specified a value of € 5.80 per share. As a result, the value of the own shares was added to the costs of acquisition of € 1.7413 per share.

Cash and due from banks

The valuation of the available funds was effected at nominal value.

Accruals

Expenses prior to the balance sheet date which form expenditure for a certain period of time after that day, are shown as prepaid expenses.

Equity

The equity capital of the public limited company amounts to K€ 40,050 and is included in 40,050,000 registered individual share certificates.

Retained income

A sum of K€ 1,000 from the annual profit amounting to K€ 8,295 is allocated to the other retained earnings for the clearing fund.

Balance sheet loss

The balance sheet loss amounting to K€ 11,766 consists of the profit for the year after the partial appropriation of profits of K€ 7,295, the losses brought forward to the amount of K€ 18,407 as well as the increase in the reserve for own shares to the amount of K€ 654.

Provisions for liabilities and charges

The provisions for liabilities and charges take into account all the risks and uncertain liabilities discernible until the preparation of the annual financial statement in as far as such are not recorded under other balance sheet items. Evidence has been furnished individually with regard to the provisions for liabilities and charges and are as follows:

in K€	2007	2006
Accounts payable	1,294	590
Legal risks	1,145	1,689
Royalty income	855	710
Obligations regarding holidays and other human resources obligations	110	58
Costs for preparation of annual financial statement and audit fees	115	82
Pension obligations	25	21
Taxes on income and profit	2,040	2,260
	5,584	5,410

Payments on account

This item concerned power deliveries resulting from physical futures (K€ 4,164) and were settled financially in advance, in accordance with the clearing conditions. Furthermore, this item contains payments for trading turnover on the Power Spot Market to the amount of K€ 47,428 during the period 1 until 3 January 2008.

Accounts payable

Accounts payable are shown as the amount to be repaid. There are no accounts payable with a remaining time to maturity of more than one year. Trade accounts payable from the exchange and clearing business are assessed as of the delivery day for the Spot Market. The sundry liabilities, essentially, comprise the margins furnished by the clearing members.

in K€	Up to 1 year	2 to 5 years	More than 5 years
Due to banks	22,416	—	—
Of which due to Sachsen LB	6,207	—	—
Of which due to Deutsche Bank AG	16,209	—	—
Payments received on account of orders	51,592	—	—
Accounts payable for goods and services	2,745	—	—
Other liabilities	93,285	—	—
Of which from margins by the Clearing Members	92,674	—	—
Total liabilities	170,038	—	—

Accruals and deferrals

Revenue prior to the balance sheet date, which forms earnings for a certain period of time after that day, is shown as deferred income.

7. Notes on the cash flow statement

The cash flow statement has been prepared according to DRS 2 of Deutscher Standardisierungs-rat [German Accounting Standards Board]. The capital fund comprises only liquid funds.

8. Notes on the profit and loss account

Sales revenue

The sales revenue for the financial year is structured as follows:

in K€	2007	2006
Transaction fees Spot and Derivatives Market	35,793	34,385
Training fees	871	561
Other exchange fees	3,139	2,849
	39,803	37,795

Supplements

As in the case of the previous year, the turnover from the sales on the Spot Market was netted out with the purchases on the Spot Market (K€ 5,560,873, previous year: K€ 4,898,507) for the purpose of simplification.

Other operating expenses

The other operating expenses are structured as follows:

in K€	2007	2006
Consultancy fees	4,620	1,859
Costs of administration	2,102	1,347
Advertisement and marketing expenses	1,216	937
Non-deductible input tax	895	678
Market maker expenses	4,827	10,458
Communication costs	3,659	3,118
Systems costs	7,699	7,508
Others	0	227
	25,018	26,132

Results from ordinary activities

The result from ordinary activities amounted to K€ 13,320 (previous year: K€ 9,199).

Taxes on income and profit

The taxes on income and profit (K€ 5,022) influenced the results from ordinary operations to the maximum extent.

9. Supplementary information as per art. 158 paragraph 1 AktG [German Stock Corporation Act]

The balance sheet loss is structured as follows:

in K€	2007	2006
Loss brought forward	18,407	22,963
Result after partial appropriation of profits	7,295	4,556
Addition to reserve for own shares	654	0
	11,766	18,407

Other financial obligations

The following additional financial obligations arise on an annual basis:

in K€	Up to 1 year	2 to 5 years	More than 5 years
Agreement with Deutsche Börse Systems AG (fixed components)	2,174	4,348	—
Contract of lease Neumarkt 9–19, Leipzig	185	—	—
Contract of lease Augustusplatz 9, Leipzig	206	1,100	756
Total of financial obligations	2,565	5,448	756

Human resources development

As of the balance sheet date, 57 members of staff were employed in the company. The average number of the workers employed during the financial year was 49.

Management board

Dr. Hans-Bernd Menzel (CEO)

Maik Neubauer

Information on the remuneration of the managing directors is undisclosed, in accordance with art. 286 paragraph 4 HGB.

Supervisory board

See Annex 2 to the Notes.

The members of the supervisory board have not received any emoluments during the current financial year.

Leipzig, 4 March 2008



Dr. Hans-Bernd Menzel
(CEO)



Maik Neubauer
(COO)

➤ **Development of the Fixed Assets during the Financial Year 2007**

in €	Acquisition and production costs			31 Dec, 2007
	31 Dec, 2006	Additions	Disposals	
Intangible assets				
Licences, industrial property rights and similar rights	304,348.30	206,671.90	0.00	511,020.20
Value of business as a going concern or goodwill	27,593,153.48	0.00	0.00	27,593,153.48
	27,897,501.78	206,671.90	0.00	28,104,173.68
Tangible assets				
Other assets, equipment and fittings	2,060,867.74	256,342.29	0.00	2,317,210.03
	29,958,369.52	463,014.19	0.00	30,421,383.71

➤ **Executive bodies of the company**

Management board

Dr. Hans-Bernd Menzel (CEO)

Maik Neubauer

Supervisory board

Dr. Jürgen Kroneberg (Chairman)

Member of the Managing Board, RWE Energy AG, Dortmund

Torger Lien (Vice-Chairman)

President and CEO, Nord Pool ASA, Lysaker/Norway

Edward Backes

Head of Department Market Supervision, Deutsche Börse AG, Frankfurt am Main

Wolfgang Behrens (until 25 October 2007)

Head of Legal Department, State Bank of Saxony, Leipzig

Ulrich Erkens

Chief Executive, E.ON Sales & Trading GmbH, Munich

Christoph Habermann (until 31 July 2007)

State Secretary, Saxon State Ministry for Economic Affairs and Labour, Dresden

	Depreciations			Residual book values		
	31 Dec, 2006	Additions	Disposals	31 Dec, 2007	31 Dec, 2006	31 Dec, 2007
	221,606.30	84,374.90	0.00	305,981.20	82,742.00	205,039.00
	12,803,197.48	2,958,043.26	0.00	15,761,240.74	14,789,956.00	11,831,912.74
	13,024,803.78	3,042,418.16	0.00	16,067,221.94	14,872,698.00	12,036,951.74
	1,555,983.74	281,503.29	0.00	1,837,487.03	504,884.00	479,723.00
	14,580,787.52	3,323,921.45	0.00	17,904,708.97	15,377,582.00	12,516,674.74

Dr. Christoph Helle

Chief Representative, MVV Energie AG, Mannheim

Dr. Robert Herde (until 15 November 2007)

Head of Process Management, Deutsche Börse AG, Frankfurt am Main

Alfred Hoffmann

Head of Trading Services, Vattenfall Trading Services GmbH, Hamburg

Wolf-Dieter Ihle (since 1 October 2007)

Member of the Management Board, State Bank of Saxony, Leipzig

Tanja Ilic

Senior Vice President, Nord Pool ASA, Lysaker/Norway

Hermann Ineichen

Director, BKW FMB Energie AG, Bern/Switzerland

Burkhard Jung

Mayor of the City of Leipzig, Leipzig

Ulrich Kastner

Corporate Consultant, Frankfurt am Main

Dr. Hans-Joachim Klein

Chairman of the Managing Board, LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH, Leipzig

Stefan Leusder (until 31 August 2007)

Member of the Management Board, State Bank of Saxony, Leipzig

Jörn Limann

CEO, Nord Pool Spot AS, Lysaker/Norway

Dr. Stefan Mai (since 15 November 2007)

Director, Head of Section Market Policy, Eurex Zürich AG, Zurich/Switzerland

Dr. Hartmut Mangold (since 1 August 2007)

State Secretary, Saxon State Ministry for Economic Affairs and Labour, Dresden

Dr. Dirk Mausbeck

Managing Director, EnBW Trading GmbH, Karlsruhe

Harald R. Pfab (since 29 October 2007)

Member of Management Board, State Bank of Saxony, Leipzig

Peter Reitz (since 21 March 2007)

Member of Executive Board, Eurex AG, Frankfurt am Main

Erik Thrane

Attorney at Law, Nord Pool ASA, Lysaker/Norway

Vincent van Lith

Director, BHF-Bank AG, Frankfurt am Main

Dr. Hans Jürgen Witschke

Chairman of the Managing Board, DB Energie GmbH, Frankfurt am Main

➤ Cash Flow Statement for the Financial Year 2007

in K€	2007	2006
Annual net profit	8,295,060	5,556,195
Depreciation of fixed assets	3,323,921	3,166,687
Losses from disposal of fixed assets	0	1,107
Increase of provision for pension fund liabilities	3,751	3,500
Cash flow (sub-total)	11,622,732	8,727,489
Increase/reduction of the trade accounts receivable as well as of other assets which cannot be allocated to the investment or financing activities	-74,528,933	11,793,444
Increase/reduction of the trade accounts payable as well as of other liabilities which cannot be allocated to the investment or financing activities	94,357,515	25,105,542
Other funds from operating activities	19,828,582	36,898,986
Cash flow from operating activities	31,451,314	45,626,475
Proceeds from disposal of fixed assets	0	0
Purchase of fixed assets	-463,014	-494,513
Cash flow from investing activities	-463,014	-494,513
Repayment of borrowings	21,849,204	-3,354,021
Profit distribution	0	0
Cash flow from financing activities	21,849,204	-3,354,021
Net change in cash funds (liquid funds)	52,837,504	41,777,941
Cash funds at the beginning of the period under review	51,696,495	9,918,555
Cash funds at the end of the period under review	104,533,999	51,696,496

➤ **Statement of Changes in Shareholders' Equity for the Financial Year 2007**

in €	Parent company		
	Subscribed capital	Capital reserve	Reserve for own shares
As of 31 Dec. 2006	40,050,000.00	10,000,000.00	1,760,575.60
Interest of minority shareholders			
Sub-total	40,050,000.00	10,000,000.00	1,760,575.60
Consolidated annual net profit			653,353.76
Other consolidated result			
Consolidated total result			653,353.76
As of 31 Dec. 2007	40,050,000.00	10,000,000.00	2,413,929.36

➤ **Audit Report by the Final Auditor**

We have audited the consolidated annual accounts – consisting of the balance sheet, the profit and loss account as well as the notes, the cash flow statement and the statement of changes in shareholders' equity – and the consolidated annual report prepared by European Energy Exchange AG, Leipzig for the financial year from 1 January until 31 December 2007. The preparation of the consolidated annual accounts as well as the consolidated annual report in accordance with the provisions of the German Commercial Code, lies within the remit of responsibility of the management board of the company. It is our task to give an opinion on the consolidated annual accounts and the consolidated annual report on the basis of the audit which we have carried out.

We have carried out our annual audit according to art. 317 HGB, in compliance with the German principles of proper final audits, established by the Institute of Auditors [Institut der Wirtschaftsprüfer (IDW)]. According to these, the audit has to be planned and carried out in such a way that inaccuracies and violations which may have a significant impact on the representation of the assets, liabilities, financial position and profit or loss conveyed by the consolidated annual accounts in compliance with the principles of adequate and orderly accounting, are recognised with sufficient certainty. In establishing the auditing activities, the knowledge of the company's business, its activity and legal environment, as well as expectations with regard to possible errors, are taken into account. Within the framework of the audit, the effectiveness of the internal controlling system of financial reporting as well as records of information in the consolidated annual accounts and the consolidated annual report, were evaluated mainly on the basis of random samples. The audit comprises the evaluation of the annual financial statements of the companies included in the consolidated financial statement, the definition of the scope of consolidation, the assessment of the

Parent company			Third-party shareholder	Group equity
Other retained income	Consolidated balance sheet profit	Equity as per consolidated balance sheet	Minority capital	
1,000,000.00	-18,407,358.13	34,403,217.47	0.00	34,403,217.47
-14.00	0.00	-14.00	14.00	0.00
999,986.00	-18,407,358.13	34,403,217.47	14.00	34,403,231.47
1,000,000.00	7,295,057.55	8,948,411.31	2.54	8,948,413.85
	-653,353.76	-653,353.76	0.00	-653,353.76
1,000,000.00	6,641,703.79	8,295,057.55	2.54	8,295,060.09
1,999,986.00	-11,765,654.34	42,698,261.02	16.54	42,698,277.56

accounting principles applied and the essential judgements of the management board as well as the evaluation of the overall presentation of the consolidated financial statement and of the consolidated annual report. We are satisfied that this audit forms a sufficiently safe basis for our evaluation.

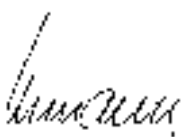
Our audit has not led to any objections.

According to our evaluation on the basis of the findings obtained during the audit, the consolidated financial statement corresponds to the legal requirements. It conveys an account of the assets, liabilities, financial position and profit or loss of the company which corresponds to the actual situation, in compliance with the principles of adequate and orderly accounting. The consolidated annual report corresponds to the consolidated financial statement; all in all, it conveys an accurate representation of the state of the company and correctly outlines the opportunities and risks of its future developments.

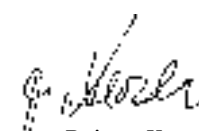
Berlin, 4 March 2008

PricewaterhouseCoopers Aktiengesellschaft

Accountancy firm



Harald Herrmann
Auditor



ppa. Rainer Kottowski
Auditor

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