KELER CCP

KELER CCP Ltd.

annual report

CONTENTS

MESSAGE OF THE MANAGING DIRECTOR

Similarly to the first year of operation 2010 brought significant challenges and considerable tasks. Guaranteed capital markets were still struggling with the after-effects of the global economic crises that started in 2008 and it could be felt in the composition of counterparties and their clients and the change in market activity.

Since our establishment we have been striving to provide high quality, complex services in line with the requirements of the participants of the capital market and to develop our services based on thinking together with our clients. Accordingly from the spring of 2010 we have been extending the scope of collateral instruments and modified the terms of acceptance.

Tasks related to the new energy market services launched in the second half of the year brought professionally challenging times. On July 1, 2010 gas market settlement and guarantee undertaking services were launched and in the same month HUPX also started to operate. In energy market settlement as the general clearing member of ECC we provide settlement services to non-clearing members concluding an agreement with us.

During the past years, based on the daily stress test results, the calculation algorithm of collective guarantee funds was modified on several occasions and was continuously adjusted to market risks. As a result in October 2010 the calculation algorithm and parameters of collective guarantee funds were changed. Furthermore, in the second half of 2010, in addition to the two existing collective guarantee funds, the new gas market collective guarantee fund was set up. As part of changing the gas market collateral system the calculation algorithm of the gas market collective guarantee fund was modified as well.

During the year several meetings with clearing members and non-clearing members were held and provided a good opportunity for existing and future clients to get familiar with our services.

As far as international relations are concerned we took part at the regular meetings of EACH and participated in professional sub-committees of the organization.

Results in 2010 were in line with expectations. Profit before tax increased slightly (HUF 204.1 million) compared to plan. Due to mid-year tax changes a lower than planned corporate tax requirement had to be met, thus profit after tax in 2010 was HUF 174.3 million.

We can state that the second year of operation was a financially successful period. In addition to delivering in professionally challenging times, we could met our goals and provide high quality services to our Clients in new markets and in an internationally competitive environment. Building on our experiences in 2010 we work to maintain success and keep our momentum in the forthcoming period also.

Sincerely yours,

Managing Director*

* As of 31 March, 2011 KELER CCP Ltd. is transformed into a private shareholding company, from this date Károly Mátrai acts as General Manager.

REGULATORY ENVIRONMENT OF KELER CCP LTD.

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KELER CCP Central Counterparty Ltd. (hereinafter: KELER CCP) is a business association operating as central counterparty guaranteeing the fulfillment of stock exchange transactions and over-the-counter capital market transactions pursuant to Act CXX of 2001 on the capital market (hereinafter: Tpt.).

KELER CCP operates in line with the provisions of the above regulation, its regulatory documents and the requirements of the decrees of the Financial Supervisory Authority of Hungary (hereinafter: Supervisory Authority). KELER CCP undertakes the central counterparty activity licensed by Decree E-III/1012/2008. of the Supervisory Authority as an exclusive activity pursuant to Section 340/D (1) of the Tpt.

In accordance with the agreement concluded with the Central Clearing House and Depository (Budapest) Ltd. (hereinafter: KELER) KELER CCP outsources certain elements of its activity to KELER in compliance with the prevailing requirements of the Tpt. and other relevant legal regulations.

BUSINESS RESULTS OF KELER CCP

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In 2010 the profit before tax of KELER CCP was slightly higher (HUF 204.1 million) than planned. Due to changes in tax regulations during the year a lower than planned corporate tax rate applied, thus the profit for the period of 2010 was HUF 174.3 million.

As a result of cash market turnover contraction during the year revenue from guaranteeing transactions concluded on the BSE was more than 10 % lower than in 2009. This decrease was compensated by the revenue from guaranteeing transactions in the gas market and energy market launched in 2010. The total revenue from guarantee undertaking amounted to HUF 636.2 million that is 102.2 % of the plan.

In 2010 operational expenditures remained at the planned level (plan: HUF 434 million, actual: HUF 436.4 million).

The financial result of HUF 1.6 million is only 12.6 % of the planned figure. This is explained by the unplanned foreign exchange loss.

The sum of the operating (business) result and financial result is HUF 204.1 million that is an increase of 2.1 % over the planned HUF 198.2 million. As there were no extraordinary items the ordinary (business) result equals profit before tax. Profit before tax is subject to tax payment obligation in the amount of HUF 29.8 million, profit for the period after tax of KELER CCP is HUF 174.3 million.

PROFIT AND LOSS FIGURES (in HUF million)

	Description	Previous year 2009	Plan 2010	Subject year 2009	Actual/ Plan 2010
1. (a)	Net domestic sales - guarantee undertaking	595.2	622.3	636.2	102.2%
1. (b)	Net domestic sales - gas sales		0.0	43,922.2	
2.	Net export sales				
I.	Income from providing guarantee (1.+2.)	**595.2**	**622.3**	**44,558.4**	
II.	Other income			**0.3**	
III.	Own performance capitalized				
3.	Raw materials and consumables	0.0	0.1	0.0	13.0%
4.	Cost of services used	274.5	322.2	309.5	96.1%
5.	Other services	70.6	95.7	104.4	109.1%
6.	Cost of goods sold	0.0		43,922.2	
IV.	Material type expenditures (3.+4.+5.+6.)	**345.1**	**418.0**	**44,336.1**	
V.	Staff expenses	**0.5**	**0.5**	**1.8**	**350.4%**
VI.	Depreciation and amortization	**0.5**	**2.8**	**1.2**	**42.8%**
VII.	Other expenditures	**14.0**	**15.1**	**17.2**	**113.7%**
A.	**OPERATING RESULT (I.+II.+-III.-IV.-V.-VI.-VII.)**	**235.1**	**185.9**	**202.5**	
VIII.	Financial income	**9.7**		**141.1**	
IX.	Financial expenditures	**0.0**		**139.5**	
B.	FINANCIAL RESULT (VIII.-IX.)	**9.7**	**12.3**	**1.6**	**12.9%**
C.	RESULT ON ORDINARY ACTIVITIES (+-A.+-B.)	**244.8**	**198.2**	**204.1**	
D.	EXTRAORDINARY RESULT				
E.	PROFIT (OR LOSS) BEFORE TAX (+-C.+-D.)	**244.8**	**198.2**	**204.1**	
X.	Income tax	**47.1**	**37.7**	**29.8**	
F.	PROFIT (OR LOSS) FOR THE PERIOD (+-E.-X.)	**197.7**	**160.6**	**174.3**	
7.	Use of accumulated retained earnings for dividends and profit sharing				
8.	Dividends paid (approved)				
G.	**NET RESULT (+-F.+7.-8.)**	**197.7**	**160.6**	**174.3**	

ACTIVITY OF KELER CCP

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Similarly to the first year of operation 2010 was a year abounding in risk management challenges. In 2010 guaranteed capital markets were very much impacted by the consequences of the economic crisis that was sparked off in 2008. This was primarily felt in the changing structure of counterparties and their clients and the change in market activity.

By the middle of the year the shortage of commodities and the resulting price hike that were the consequence of extreme weather strongly shocked the agricultural commodities market, amongst them the commodities section of the Budapest Stock Exchange. Although KELER CCP was successful in managing increased risks in the commodities market with active cooperation by clearing members, partly due to the prevailing situation the number of active participants in the commodities market decreased by the end of the year.

Tasks related to the new energy market services launched in the second half of the year represented additional major professional challenges.

The settlement and guarantee undertaking services of KELER CCP related to the Daily Natural Gas and Capacity Trading Market were launched on 1 July, 2010 and it was also in July that HUPX started to operate. With respect to ECC (European Commodity Clearing AG), Leipzig settling HUPX, KELER CCP as a general clearing member of ECC offers settlement services to non-clearing members executing the relevant agreement with KELER CCP.

During the year several meetings were held for clearing members and non-clearing members where the KELER Group introduced its services to existing and prospective clients.

COUNTERPARTY RISKS

Clearing membership system

In 2010 our clearing membership system was considerably expanded due to the Daily Natural Gas and Capacity Trading Market and the energy market launched in the second half of the year. In preparation for the new clearing membership system the General Business Rules were modified and new regulations were finalized.

As far as stock exchange clearing members are concerned, apart from the two new non-clearing members, in 2010 four new clearing members (1 investment firm, 1 credit institution, 1 Hungarian branch of a foreign investment firm and 1 foreign credit institution) joined the system and three commodities market service providers terminated their clearing membership. Furthermore existing clearing membership agreements were modified on five occasions due to changes in the sections / range of transactions traded and agreements executed with 2 members had to be modified due to change in their names (one of these 2 members terminated active clearing membership in 2010). The clearing member relationship of the clearing member terminating the agreement was suspended once at the request of the clearing member.

Since the start of the Daily Natural Gas and Capacity Trading Market in the summer 12 gas market individual clearing members joined our system and one of them left the system at the beginning of December.

The number of participants in the non-clearing membership system related to the energy market continuously increased and was 11 at the end of the year.

In summary by the end of 2010 there were 53 active members in our clearing membership system: 33 stock exchange clearing members (3 commodities market service providers, 3 Hungarian branches of foreign credit institutions, 2 Hungarian branches of foreign investment firms, 16 investment firms and 9 Hungarian credit institutions), 11 gas market clearing members and 11 energy market non-clearing members. (There are two players that have memberships in both the gas market and the energy market).

MARKET RISKS

Individual clearing member collaterals

A key basic operation of KELER CCP ais the continuous monitoring of individual collateral and the maintenance of the collateral system.

Initial margins were changed several times as risks changed. For new products the appropriate level of initial margin was established based on available information.

Turnover margin as an individual collateral plays an important role in the gas market collateral system and in the gas market settlement launched during the year. At the start of the market the algorithm to define turnover collateral was based on the past gross turnover of gas market clearing members.

However, consultation with clearing members highlighted that turnover margin can be more risk proportionate by defining turnover margin based on buy volumes, thus in 2011 the algorithm to define collateral was modified accordingly.

The internationally applied algorithm is used to define energy market turnover margin.

Collective Guarantee Fund

In the past years based on the results of daily stress tests the algorithm to define collective guarantee funds was modified on several occasions and was continuously adjusted to market risks. In 2009 the calculation methods of the cash and derivative funds were harmonized and stress tests completed in 2010 showed that in the cash market there was an opportunity to decrease the fund, while in line with changing market risks there was a need to increase the fund in the derivative market. Therefore in October 2010 the Members' Meeting of KELER CCP made a decision on the modification of the calculation algorithm and parameters of the collative guarantee funds. The percentage calculation parameters of collective guarantee funds for clearing members were modified in two steps, the minimum and maximum parameters were left unchanged. The modification was a decrease in requirements in case of the Exchange Settlement Fund (TEA) and an increase in requirements in case of the Collective Guarantee Fund (KGF).

In addition to the existing two collective guarantee funds a new fund was established in the second half of 2010, the gas market collective guarantee fund (GKGA). As part of changes in the gas market collateral system the gas market collective guarantee fund algorithm was changed also. The Members' Meeting of KELER CCP passed a decision on the change at the end of the year and the new algorithm was introduced in February 2011.

Despite all our efforts at the end of 2010 there was a default in the gas market during which the gas market collective guarantee fund was used several times. In part due to our active risk management and crisis management the default was sorted out, the amounts used from the collective guarantee funds were paid back, thus neither members, nor KELER CCP suffered losses.

Joint and several liability by KELER

From 14 August, 2009 the joint and several liability undertaken by KELER was renewed with unchanged amount of HUF 12 billion. The current amount of the guarantee undertaken will be in force until the 90th day following the day of the annual ordinary general meeting of KELER in 2011.

However, the scope of the guarantee undertaken was extended in July 2010. In addition to the guaranteed transactions concluded on the Budapest Stock Exchange KELER extended the guarantee undertaken with effective date of 1 July, 2010 to its obligations related to the gas market guarantee services of KELER CCP and in respect of the next day energy market of HUPX to the obligations of KELER CCP related to the energy market general clearing membership.

Collateral instruments

During the year some clearing members requested on several occasions that KELER CCP accepts certain non-HUF denominated Hungarian and international debt instruments as collateral instruments. Based on clearing members' requirements we made quick case by case decision on the acceptance of certain securities as collateral and the applicable individual terms.

New products

The Budapest Stock Exchange introduced a number of new products in the cash and derivative markets. Establishing the margin system of the new products was a major task for us in 2010.

Creating the risk management system for the new gas market and energy market products was a new challenge that greatly enriched us.

INTERNAL AUDIT

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KELER CCP does not undertake internal audit on its own, therefore based on case by case requests of the Members' Meeting the internal audit unit of KELER completes audits at KELER CCP.

In 2010 tasks related to the clearing membership and guarantee system operated by KELER CCP were audited.

INTERNATIONAL RELATIONS

KELER CCP is a member of EACH (European Association of Central Counterparty Clearing Houses). The Company is an active participant at the regular meetings of the organization and plays an active role in the activity of certain sub committees.

KELER CCP is a signatory of the Code of Conduct, the joint code of conduct of certain capital market infrastructural institutions and international organizations (FESE, EACH, ECSDA).

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

for the year ended 31 December 2010

STATEMENT OF FINANCIAL POSITION

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KELER CCP Ltd.
Statement of Financial Position as of 31 December 2010
(All amounts in THUF)

		31.12.2010	31.12.2009
Cash and cash equivalents	**5**	**3,685,586**	**392,410**
Receivables relating to central contractual party service	6	18,142,788	42,842
Accrued interest receivables		13,422	1,547
Intangible assets	7	3,924	4,891
Other assets	8	128,925	5,101
Current tax assets		12,357	0
TOTAL ASSETS		**21,987,002**	**446,791**
Liabilities for Guarantee Funds	9	3,230,828	0
Accrued interest payable		98,761	0
Tax liabilities		4,545	58,840
Accounts payables	10	18,225,455	135,884
Accruals and other liabilities		4,783	3,733
TOTAL LIABILITIES		**21,564,372**	**198,457**
Share capital	11	20,000	20,000
Capital Reserve		30,000	30,000
Retained earnings		372,630	198,334
TOTAL SHAREHOLDERS' EQUITY		**422,630**	**248,334**

The accompanying notes to financial statements on pages 16 to 24 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

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KELER CCP. Ltd.
Statement of Comprehensive Income for the year ended 31 December 2010
(All amounts in THUF)

		01.01.2010 31.12.2010	01.01.2009 31.12.2009
Income from central contractual party service	12	636,221	595,236
Interest income:		128,886	9,681
Interest expense:		(120,180)	-
Net interest income		**8,706**	**9,681**
Other operating income		289	-
Fees and commissions expenses		(99,754)	(65,714)
Personnel expenses		(1,752)	(489)
Depreciation and amortization		(1,199)	(523)
Other expenses	13	(338,448)	(293,413)
Other operating expenses		(441,153)	(360,139)
PROFIT BEFORE INCOME TAX		**204,063**	**244,778**
Taxation	14	(29,767)	(47,051)
NET PROFIT FOR THE YEAR		**174,296**	**197,727**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**174,296**	**197,727**

The accompanying notes to financial statements on pages 16 to 24 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

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KELER CCP Ltd.
Statement of Changes in Equity for the year ended 31 December 2010
(All amounts in THUF)

	Share Capital	Retained Earnings	Capital Reserve	Total
Balance as of 1 January 2009	**20,000**	**607**	**30,000**	**50,607**
Total comprehensive income for the year	-	197,727	-	197,727
Balance as of 1 January 2010	**20,000**	**198,334**	**30,000**	**248,334**

The accompanying notes to financial statements on pages 16 to 24 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

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KELER CCP Ltd.
Statement of Cash Flows for the year ended 31 December 2010
(All amounts in THUF)

		01.01.2010 31.12.2010	01.01.2009 31.12.2009
CASH FLOW FROM OPERATING ACTIVITIES			
NET PROFIT		**174,296**	**197,727**
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Income Taxes		42,491	58,956
Depreciation and amortization		1,199	523
Net (increase) / decrease in accrued interest receivables		(11,875)	(1,357)
Net (increase) / decrease in CCP receivables		(18,099,946)	(42,842)
Net (increase) / decrease in other assets		(136,000)	(3,601)
Net (increase) / decrease in Placement and loans from partners		3,230,828	-
Net increase / (decrease) in accrued interest payable		98,761	-
Net increase / (decrease) in other liabilities		18,090,621	139,604
Income Taxes paid		(96,967)	(267)
Net cash provided by operating activities		**3,293,407**	**348,743**
INVESTING ACTIVITIES			
Net additions to premises, equipments and intangible assets		(232)	(5,414)
Net cash used in investing activities		**(232)**	**(5,414)**
CASH FLOW FROM FINANCING ACTIVITIES			
Founding capital payment		-	-
Net cash flow from financing activities		**-**	**-**
Net increase / (decrease) in cash and cash equivalents		**3,293,176**	**343,329**
Cash and cash equivalents at the beginning of the year		392,410	49,081
Cash and cash equivalents at the end of the year		3,685,586	392,410
Net (decrease)/increase in cash and cash equivalents		**3,293,176**	**343,329**

The accompanying notes to financial statements on pages 16 to 24 form an integral part of these financial statements.

Notes to Financial Statements

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For the year ended 31 December 2010

(All amounts in THUF, unless stated otherwise)

NOTE 1: GENERAL

KELER CCP Ltd. (The Company or KELER CCP) is a limited liability company according to the Hungarian laws. Registration of the company: 6 June, 2008. Company's seat: H-1075 Budapest, Asbóth str. 9-11.

KELER CCP Ltd.'s owners when established
- KELER Ltd. 74,5%
- Budapest Stock Exchange 25,5%

KELER CCP Ltd.'s owners since 26 February 2009.
- KELER Ltd. 74,5%
- National Bank of Hungary 13,6%
- Budapest Stock Exchange 11,9%

KELER CCP is a central counterparty business association pursuant to the requirements of the Tpt. (Act on the Capital Market of Hungary) operating and guaranteeing the settlement of stock exchange and over-the-counter transactions. KELER CCP as central counterparty undertakes guarantee for transactions concluded on the Budapest Stock Exchange and for the financial performance of gas market (Daily natural gas and capacity trading market) transactions. KELER CCP as general clearing member undertakes guarantee for the financial performance of energy market transactions towards European Commodity Clearing AG. KELER CCP's direct partners are commodities service, securities service providers, financial institutions, participants of an organized market, or organizations performing clearing house activity. KELER CCP's activity ensures that market participants' guaranteed trades are settled risk free.

KELER CCP Ltd. has started its business activity as a central counterparty service provider, as of 1 January 2009.

KELER CCP is consolidated in the financial statement of KELER Ltd (address: H-1075 Budapest, Asbóth str. 9-11)

NOTE 2: BASIS OF PREPARATION

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the EU and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") as adopted by the EU.

These Financial Statements were approved by the management of the Company on 21 March 2011.

b) Basis of measurement

The financial statements are prepared on a fair value basis for derivative financial instruments, financial assets or liabilities at fair value through profit or loss, and available-for-sale financial assets, except those for which a reliable measurement of fair value is not available. The latter items are stated at either amortised or historical cost. Other financial assets and liabilities and non-financial assets and liabilities are stated at either amortised cost or historical cost.

These financial statements are presented in Hungarian Forints roiunded to the nearest thousand ("THUF").

c) Functional currency

Items included in the financial statements are measured using Hungarian Forint, the currency of the primary economic environment in which the Company operates ('the functional currency').

d) Use of estimates and judgements

The preparation of financial statements in accordance with IFRS requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual result may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate revised and in any future period affected.

NOTE 3:SIGNIFICANT ACCOUNTING POLICIES

a) Foreign currency transactions

Transactions in foreign currencies are translated to Hungarian forint at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Hungarian forint at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Hungarian forint at foreign exchange rates ruling at the dates the values were determined.

b) Cash and cash equivalents

Cash equivalents are liquid investments with original maturity of three months or less. Cash and cash equivalents are carried at amortised cost in the balance sheet.

c) Financial assets and financial liabilites

Classification
Financial assets or financial liabilities at fair value through profit or loss are financial assets and financial liablities that are classified as held for trading mainly for the purpose of profit-taking, are derivative instruments that are not designated and effective hedging instruments or upon initial recognition are designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss contain state bonds, treasury bills and discount bonds issued by National Bank of Hungary ("NBH").

Receivables relating to guarantee activities are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Held-to-maturity assets are non-derivative assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity.

Available for sale financial assets are non-derivative instruments that are not designated as another category of financial assets.

Other liabilities contains all financial liabilities that were not classified as at fair value through profit or loss.

Other liabilities contain placements and loans from other banks, deposits from customers, liabilities relating to garantee activities.

Recognition
Financial assets and liabilities are entered into the Company's books on the settlement day, except for derivative assets, which are entered on the trade day. Financial assets or financial liabilities are initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue.

Derecognition
Financial assets are derecognised when the rights to receive cash flows from the financial assets expire or the Company transfers substantially all risks and rewards of ownership of the financial asset.

Measurement
Subsequent to initial recognition, all financial assets or financial liabilities at fair value through profit or loss and all available for sale assets are measured at fair value. If no quoted market price exists from an active market and fair value cannot be reliably measured, the Company uses valuation techniques to determine fair value.

All financial liabilities other than at fair value through profit or loss, held to maturity financial instruments and originated receivables are measured at amortised cost less impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

A gain or loss on a financial asset or financial liability classified as at fair value through profit or loss shall be recognised in profit or loss, as financial income or expense.

A gain or loss on an available-for-sale financial asset shall be recognised directly in equity, through the statement of changes in equity, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity shall be recognised in profit or loss, as financial income or expense.

For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Fair value measurement
The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using valuation models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on the Company's economic estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where valuation models are used, inputs are based on market related measures at the balance sheet date.

The fair value of derivatives that are not exchange-traded are estimated at the amount that the Company would receive upon normal business conditions to terminate the contract at the balance sheet date taking into account current market conditions and the current creditworthiness of the counterparties.

Amortised cost measurement
The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company shall estimate cash flows considering all contractual terms of the financial instrument but shall not consider future credit losses.

Impairment of financial assets
If there is an objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss is recognised in profit or loss, as other expense.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a Company of assets such as adverse changes in the payment status of borrowers or issuers in the Company, or economic conditions that correlate with defaults in the Company. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed through profit or loss, as other income.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss, even though the financial asset has not been derecognised.

The amount of the cumulative loss that is removed from equity and recognised in profit or loss shall be the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

Financial assets are assessed individually or collectively. All individually significant financial assets above 1 MHUF are assessed for specific impairment. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

d) Impairment of non-financial assets

If there is any indication that the carrying amount of a non-financial (within the scope of IAS 36) asset exceeds its recoverable amount, the Company makes estimates for the recoverable amount of the asset. The Company considers external and internal information in assessing the amount of impairment. Impairment loss is recognised or reversed according to the individual rating of the asset. Inventories within the scope of IAS 2 are measured at the lower of cost and net realisable value. The Company makes estimates for the realisable amount on a quarterly basis. Write-downs are recognised or reversed according to these estimates.

If the carrying amount / cost of the non-financial asset exceeds its recoverable amount / realisable value, write-down shall be recognised, if not, write-down shall be reversed to increase the carrying amount of the asset. The carrying amount of the asset after reversal can not exceed the original net carrying amount.

e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairments, if any. Depreciation is provided using the straight-line method at rates calculated to write off the cost of the asset over its expected economic useful life. The rates used by the Company are 14.5% for building improvements, 14.5% for office machines and 33% for office equipment and computers.

Expenditures incurred to replace a component of an item of property, plant and equipment that are accounted for separately, including major inspection and overhaul expenditures, are capitalized. Other subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the item of property, plant and equipment. All other expenditures are recognized in the income statement as expense as incurred.

f) Intangible assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairments, if any. Depreciation is provided using the straight-line method at rates calculated to write off the cost of the asset over its expected economic useful life. For software 25% depreciation rate is used on a straight-line basis.

g) Trading on gas market

Based on the theory of the anonymity of the customers and the suppliers on the Daily natural gas and capacity trading market, the transactions are made with the participation of KELER CCP. KELER CCP stands between the counterparties as a technical partner (customer or supplier) during the buying and selling transactions. The stock of gas held by KELER CCP is always zero at the end of a day. Therefore, buying and selling of the gas is recorded by net method settlement in the comprehensive income while in the balance sheet accounts (receivables-liabilities) it is recorded gross.

h) Sale and repurchase agreements and lending of securities

Securities sold subject to linked repurchase agreements ('repos') are retained in the financial statements as trading or investment securities with concurrent recognition of the counterparty liability. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to customers. The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective yield method. Securities lent to counterparties are also retained in the financial statements.

i) Revenue recognition

• *Fee revenue*
KELER CCP receives revenue for its guarantee and settlement activities, such revenue are recognized when these services are performed.

• *Interest income*
Interest income is recognized in the statement of changes in equity for all interest bearing instruments on an accrual basis using the effective interest method.

j) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Deferred income tax is provided, using the balance sheet liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

k) Provisions

A provision is recognized when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

l) Hedging

The Company is not engaged in any hedging activity.

m) Statement of cash flows

Information about the cash flows of the Company is useful in providing users of financial statements with a basis to assess the ability of the Company to generate cash and cash equivalents and the needs of the Company to utilise those cash flows.

For the purposes of reporting cash flows, cash and cash equivalents include cash, balances and placements with the National Bank of Hungary except those with more than three months maturity.

n) Events after the balance sheet date

Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the financial statements are authorised for issue. These events are adjusting and non-adjusting events.

All adjusting events after balance sheet date have been taken into account in the preparation of the financial statements of the Company.

NOTE 4: FINANCIAL RISK MANAGEMENT

a) The main elements of the Companies counterparty risk management approach are the following

The performance and financials of the clearing members are continuously monitored. Further, the Company constantly monitors bankruptcy. Member banks are rated quarterly based on financial statements and subjective aspects.
A two-level clearing membership system is operated by KELER CCP on Budapest Stock Exchange ("BSE") prompt and derivative markets from 1 January 2009.

KELER CCP operates a clearing membership system on Daily natural gas and capacity trading market operated by FGSZ (Natural Gas Transmission Company) and the Company from 1 July 2010. As a general clearing member of the ECC (European Commodity Clearing AG) is entitled to provide energy market non-clearing membership services (HUPX). Clearing members and the energy market non-clearing members have to comply with specified requirements including equity capital criteria.

A real-time price monitoring system is operated on the prompt- and derivative markets of BSE. KELER CCP is entitled to dispose intraday clearing in case price changes exceed certain limits, while KELER Ltd. executes it.

A multi-level guarantee system is operated on the guaranteed markets. The elements of the guarantee system are: individual collaterals and collective guarantee elements.

Individual collaterals: basic financial collateral – for derivative, multinet, gas and energy market settlement,

- Liquidity FX Security Deposit for derivative and multi-net settlement,
- additional financial collateral – for derivative, multinet, gas and energy market settlement,
- initial margin – for derivative and multinet settlement,
- turnover margin – for gas market settlement,
- energy market turnover margin – for energy market settlement,
- variation margin, in case of multinet settlement

The collective guarantee elements are as follows: collective guarantee funds for derivative , multinet and gas market settlement .

A capital position limit is set for each clearing member and ismonitored regularly.

b) Foreign currency risk management

The Company operates not only domestically. In connection with the energy settlement the Company is exposed to a limited foreign exchange risk which is monitored continuously by the Company.

c) Maturity analysis of assets and liabilities and liquidity risk

The main purpose of liquidity activity is to ensure Company's continuous solvency and thereby originate the secure liquidity of capital market transactions. The Company invests its liquid assets in deposits held at banks.

d) Interest rate risk management

The Company's assets and liabilities do not have significant interest rate risk.

NOTE 5: CASH AND CASH EQUIVALENTS

	2010	2009
Bank accounts		
Within one year		
In HUF	3,571,255	392,410
In EUR	114,331	0
	3,685,586	**392,410**

NOTE 6: RECEIVABLES RELATING TO CENTRAL COUNTERPARTY SERVICE

	2010	2009
Receivables relating to central counterparty service		
Receivables relating to central counterparty service	58,378	42,842
Receivable from gas market	18,084,415	-
	18,142,788	42 842

NOTE 7: INTANGIBLE ASSETS

For the year ended 31 December 2010:

Cost	Software	Intangible assets
Balance as of 1 January 2010	5,414	5,414
Net additions	232	232
Net disposals	-	-
Balance as of 31 December 2010	5,646	5,646
Cumulated Depreciation and Amortization		
Balance as of 1 January 2010	523	523
Net additions	1,199	1,199
Net disposals	-	-
Balance as of 31 December 2010	1,722	1,722
Net book value		
Balance as of 1 January 2010	-	-
Balance as of 31 December 2010	3,924	3,924
Balance as of 1 January 2009	-	-
Net additions	5 414	5,414
Net disposals	-	-
Balance as of 31 December 2009	5,414	5,414
Cumulated Depreciation and Amortization		
Balance as of 1 January 2009	-	-
Net additions	523	523
Net disposals	-	-
Balance as of 31 December 2009	523	523
Net book value		
Balance as of 1 January 2009	-	-
Balance as of 31 December 2009	4,891	4,891

NOTE 8: OTHER ASSETS

	2010	2009
Other Assets		
Receivable from ECC (European Commodity Clearing AG)	114,288	-
Other receivables	14,532	5,000
Prepayment	105	101
	128,925	5,101

NOTE 9: LIABILITIES FOR GUARANTEE FUNDS

As an element of the guarantee system, KELER CCP requires that collective guarantee funds are established. The purpose of the guarantee fund is to reduce the risk arising from default or failure of settlement of the stock exchange transactions and gas market transactions made by the Clearing Members. Contributions of the Members are kept in cash.

	2010	2009
Liabilities for Guarantee Funds		
Exchange Settlement Fund	1,728,377	-
Collective Guarantee Fund	638,340	-
Gas Market Collective Guarantee Fund	864,111	-
	3,230,828	-

NOTE 10: ACCOUNTS PAYABLES

	2010	2009
Accounts payables		
Accounts payable – owners	139,396	134,242
Accounts payable - gas market	18,084,415	-
Accounts payable	1,644	1,642
	18,225,455	135,884

NOTE 11: SHARE CAPITAL

	2010	2009
Share capital		
KELER (Central Clearing House and Depository (Budapest) Ltd.)	14,900	14,900
Magyar Nemzeti Bank (National Bank of Hungary)	2,720	2,720
Budapesti Értéktőzsde (Budapest Stock Exchange)	2,380	2,380
	20,000	20,000

KELER (Central Clearing House and Depository (Budapest) Ltd.) held 74,5% of the shares directly as on 31 December 2010 and 31 December 2009.

Magyar Nemzeti Bank (National Bank of Hungary) held 13,6% of the shares directly as on 31 December 2010 and 31 December 2009.

Budapesti Értéktőzsde (Budapest Stock Exchange) held 11,9% of the shares directly as on 31 December 2010 and 31 December 2009.

NOTE 12: INCOME FROM CENTRAL COUNTERPARTY SERVICE

	2010	2009
Income from central counterparty service		
Guarantee fees of spot market, net	334,871	384,395
Guarantee fees of derivative market, net	142,657	144 341
Clearing membership fees, net	98,400	66,500
Guarantee fees of gas market, net	59,700	-
Guarantee fees of energy market, net	593	-
	636,221	595,236

NOTE 13: OTHER EXPENSES

	2010	2009
Other expenses		
Services used by KELER Ltd.	266,125	244,460
Services used	38,375	26,616
Local business and other taxes	14,633	13,690
Fees paid to experts	3,656	2,625
Rental fees	1,337	811
Postage and phone fees	8	4
Material type expenses	13	-
Fees paid to authorities	2,621	408
Insurance fees	1,500	1,800
Other	10,180	2,999
	338,448	293,413

NOTE 14: INCOME TAX EXPENSES

The income tax rate is 19% and 10% (up to HUF 500 million profit) in Hungary in 2010 (2009: 20% flat). No items gave rise to deferred tax in 2009 or in 2010.

A breakdown of the income tax expense is:

	2010	2009
Income Taxes		
Current tax	29,767	47,051
Deferred tax	-	-
	29,767	47,051

A reconciliation of the income tax charge is as follows:

	2010	2009
Net income before income taxes	204,063	244,778
Income tax with statutory tax rate (19%)	19,227	48,956
Income tax with statutory tax rate (10%)	10,287	-
Income tax adjustments are as follows:		
Local community business tax	-	(1,905)
Entertainment allowance	253	-
Income tax	29,767	47,051
Effective tax rate	15%	19%

NOTE 15: RELATED PARTY TRANSACTIONS

A number of transactions are entered into with related parties and owners of the Company in the normal course of the business. These transactions were carried out on commercial terms and at market rates. The volumes of related party transactions, outstanding balances at the year end, and relating income and expense for the year are as follows.

KELER Ltd.	2010	2009
Income from central counterparty service	636,221	595,236
Other operating income	287	-
Interest income	128,617	9,681
Contracted services	293,772	267,532
Fees and commissions expenses	99,173	65,727
Interest expenses	135	-
	1,158,205	938,176

KELER Ltd.	2010	2009
Receivables relating to central contractual party service	58,373	42,842
Other receivables	-	5,000
Bank	3,593,764	392,410
Accrued interest receivables	13,202	1,547
Share capital	14,900	14,900
Capital Reserve	22,350	22,350
Accounts payable	139,396	132,242
	3,841,985	611,291

NOTE 16: NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Standards and interpretations issued but effective only for annual reporting periods beginning after 1 January 2010.

Revised IAS 24 — Related Party Disclosure
Effective for annual periods beginning on or after 1 January 2011
Revised IAS 24 is not relevant to the Company's financial statements as the Company is not a government-related entity and the revised definition of a related party is not expected to result in new relations requiring disclosure in the financial statements.

Amendment to IFRIC 14 IAS 19 — *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
Effective for annual periods beginning on or after 1 January 2011
The amendments to IFRIC 14 is not relevant to the Company's financial statements as the Company does not have any defined benefit plans with minimum funding requirements.

IFRIC 19 — *Extinguishing Financial Liabilities with Equity Instruments*
Effective for annual periods beginning on or after 1 July 2010
The Company did not issue equity to extinguish any financial liability during the current period. Therefore, the Interpretation will have no impact on the comparative amounts in the Company's financial statements for the year ending 31 December 2010. Further, since the Interpretation can relate only to transactions that will occur in the future, it is not possible to determine in advance the effects the application of the Interpretation will have.

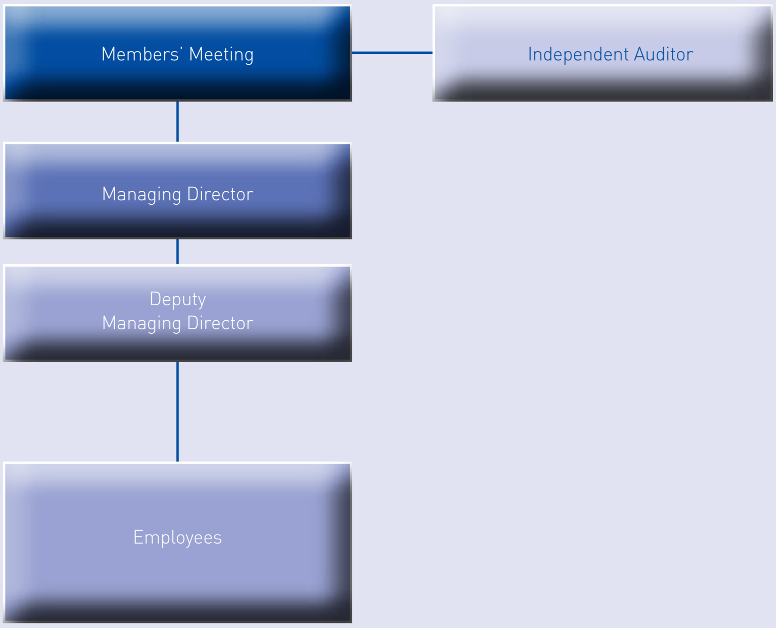
Amendment to IAS 32 — Financial Instruments: Presentation – Classification of Rights Issues
Effective for annual periods beginning on or after 1 February 2010
The amendments to IAS 32 are not relevant to the Company's financial statements as the Company has not issued such instruments at any time in the past.

NOTE 17: EVENTS AFTER THE BALANCE SHEET DATE

In the Daily Natural Gas Market non-performance has happened in the end of financial year 2010 and the Gas Collective Guarantee Fund had to be used. The problem has been solved till the preparation of the Financial Statement. The amount of the utilization to the Gas Collective Guarantee Fund was paid back so neither KELER CCP nor the membership suffered losses.

ORGANIZATIONAL STRUCTURE OF KELER CCP

Organizational structure of KELER CCP - December 31. 2010



14 MANAGEMENT

Károly Mátrai

Managing Director

Csaba Seres

Deputy Managing Director

GENERAL INFORMATION

KELER CCP Members' Meeting

Founded	2008
Operates since	1 January, 2009

Ownership structure

Shareholders	Shares held (%)
KELER	74.5%
National Bank of Hungary	13.6%
Budapest Stock Exchange	11.9%
Total	**100%**

Owners are represented at the Members' Meeting.

Contact

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Service Desk

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